

UMZINYATHI DISTRICT MUNICIPALITY



ANNUAL REPORT

2012/2013

18 DECEMBER 2013

Contact Details:

Umzinyathi District Municipality

P.O Box 1965, Dundee, 3000

Princess Magogo Building, 39 Victoria Street, Dundee, 3000

Tel: (034) 219 - 1500

Fax: (034) 218 - 1940

Website: www.umzinyathi.gov.za

Table of Contents

CHAPTER 1: MAYORS FOREWORD AND EXECUTIVE SUMMARY	3
1. Foreword by the Mayor	3
2. Message from the Municipal Manager	4
3. Executive Summary	5
CHAPTER 2: GOVERNANCE	18
2.1 Governance Structures	18
2.2 Intergovernmental Relations	21
2.3 Public Accountability and Participation	24
2.4 Corporate Governance	25
CHAPTER 3: SERVICE DELIVERY PERFORMANCE	27
1. Municipal Transformation and Institutional Development	28
2. Basic Service Delivery and Infrastructure Investment	34
3. Local Economic Development	44
4. Municipal Financial Viability and Management	49
5. Good Governance and Public Participation	54
6. Cross Cutting Interventions	59
CHAPTER 4: ORGANISATIONAL DEVELOPMENT PERFORMANCE	63
4.1 Introduction to the Municipal Workforce	63
4.2 Occupation and Gender Analysis	63
4.3 Employment Equity Plan	64
4.4 Workplace Skills Plan	64
CHAPTER 5: AUDITOR GENERAL FINDINGS	65
5.1 Report of the Auditor General to KwaZulu Natal Provincial Legislature and and Council on Umzinyathi District Municipality	65
5.2 2012/13 Action Plan to Address the Audit Queries	69
CHAPTER 6: IMPROVEMENT PERFORMANCE MEASURES	72

CHAPTER 7: SERVICE PROVIDERS PERFORMANCE	78
CHAPTER 8: REPORT OF THE OVERSIGHT COMMITTEE	81
CHAPTER 9: CONCLUSION	84

Appendixes

Appendix A: 2012/13 Annual Performance Report

Appendix B: Recommendations of the Municipal Audit Committee

Appendix C: Audited 2013/13 Annual Financial Statements

1. Foreword by the Mayor

It is my pleasure to present the Annual Report which comprises the Annual Performance Report for the year ended 30 June 2013, as required in terms of section 121 (1) of the Municipal Finance Management Act No. 56 of 2003 and Section 46 of the Municipal Systems Act No. 32 of 2000. During the year under review, the municipality was faced with challenges in terms of service delivery backlogs which had to be reduced for water and sanitation for our respective community.

The municipality managed to meet its standards in terms of service provision as the targets that were set during the beginning of the financial year in terms of infrastructure development were achieved, and in some areas were achieved more than what was set as the targets. This is an indication that the municipality is committed in delivering the services in terms of water and sanitation according the RDP standards thereby adhering the Millennium Development Goals.

In terms of financial management, the municipality is consistently continuing with the recruitment of the Financial Interns in order to give a chance to our young and aspiring Municipal Chief Financial Officers to grow and realize their potential, and at the same time we are strengthen our municipal financial capacity.

As from the 01 July 2012, the municipality took over the water reticulation and retail function from Uthukela Water. The basis of this is to ensure improved service delivery and improved revenue collection. The long term strategy for the municipality, is the take over of all bulk water and sanitation schemes within the municipal jurisdiction, and where cross boarder schemes is the source of supply, the municipality would enter into service level agreement with the supplying Water Services Authority or receiving Water Services Authority.

I must also thank the administration for the commitment and dedication in terms of ensuring that the municipality delivers on its mandate which is community development. I must conclude by thanking the Honourable Councillors for their hard work and dedication.

I thank you!

Cllr J.M Mthethwa

Honourable Mayor

2. Message from the Municipal Manager

During the year under review which is 2012/13 financial year, saw the municipality growing from strength to strength as being indicated by the successes it has made in terms of service delivery thereby improving the lives of the community we are serving within the district. However, this does not mean that there are no longer challenges as the major unconquered remained which is the backlogs in service delivery.

The municipality provided good performance on service delivery in the face of stringent budget and massive backlogs to be dealt with. The budget provided for the provision of infrastructure was well spent in order to ensure that the community received clean water and sanitation facilities. During the year under review, the municipality managed to reduce the water backlog by 216 households and sanitation by 5348 households, and the sanitation target was exceeded.

Current municipal backlogs for water and sanitation still remain at 29% (30 498 households) for water and 17% (17 564 households) for sanitation, this is besides the hard work achieved by the municipality and also one hundred percent expenditure achieved in terms of the MIG, RBIP, Massification programme.

On the local economic development side, the municipality also made progress as the implementation of the construction incubation programme. The construction incubation programme is aimed at providing training, capacity building and mentorship to emerging contractors (particularly women) in order to ensure that they have adequate technical and business skills to become active players in the main stream economy.

The municipality is also committed to a clean administration which upholds a very high level of ethics which finds expression in the municipality that is totally ethical and corruption free, which is focused on serving its community in terms of service delivery.

I would then like to thank the Councillors, Management and Staff of the municipality for the dedication and support provided during the year under which made the municipality to deliver on its mandate which is service delivery.

Thank You

Mr WJM Mngomezulu

Municipal Manager

3. Executive Summary

3.1 INTRODUCTION

Umzinyathi District Municipality Annual Report which comprises of the Annual Performance Report is compiled in terms of section 121 (1) of the Municipal Finance Management Act No. 56 of 2003 and Section 46 of the Municipal Systems Act No. 32 of 2000, a municipality, including its municipal entity, is required to prepare an annual report and an annual performance report for the year under review.

The purpose of the annual report is to provide a record of the activities of the municipality and its municipal entity, and a report on performance against the budget for that financial year with the aim of promoting accountability to the local community for the decisions made by the municipality and its entity. The annual performance report on the other hand reflects the performance of the municipality and its service providers during the financial year, comparison of performances of the current and previous financial years and measures taken to improve performance.

The municipality's 2012/13 annual report provides a true, honest and accurate account of the set performance and financial goals, the extent to which they were met, the resultant successes and the challenges that were experienced in pursuance thereof.

3.2 OVERVIEW

The uMzinyathi District Municipality (DC24) is one of the ten District Municipalities in the province of KwaZulu-Natal. The Municipality is bordered in the north by the aMajuba District Municipality, in the west by the uThukela District Municipality, in the south west by the uMgungundlovu District Municipality, in the south east by the iLembe District Municipality and in the east by uThungulu District Municipality as shown in Figure 1 below:

Figure 1: Provincial Context

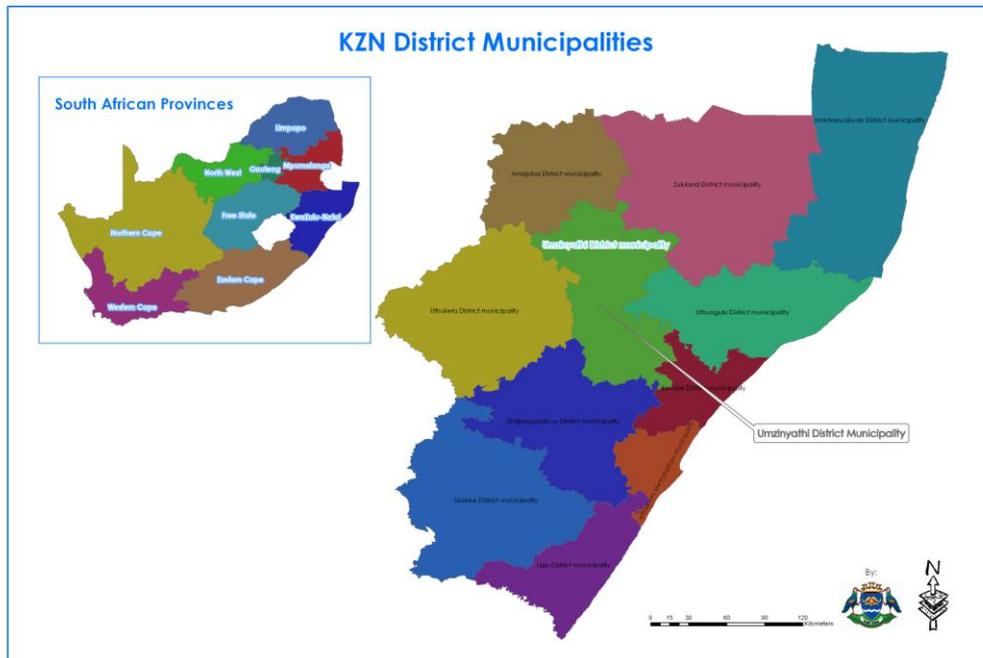


Figure 2: District Context



The District Municipality consists of four Local Municipalities as shown in Figure 2 above, namely:

- Endumeni (KZ 241)
- Nquthu (KZ 242)
- Msinga (KZ 244)
- Umvoti. (KZ 245)

The Municipal area is 8079 km² and has extensive grasslands in the north supporting the primary agricultural sector based on cattle ranching for beef, small scale sheep and mixed farming and maize cultivation. In the southern areas substantial forestry is prevalent. Sugar cane and smaller scale fruit farming such as avocado and kiwi fruit cultivation also occur.

Mineral deposits found in the District include coal and metal ores. Only coal was mined on a large scale in the eNdumeni Municipality. The coal mining industry is undergoing a restructuring process. There is a decline in corporate interest in the industry; however there is interest in the small scale regeneration of the coal belt for SMME development. A small amount of stone quarrying occurs in the District. Within eNdumeni Local Municipality, Dundee has the main economic activities ranging from retail trade, tourism and farming. Dundee is a centre from which tourism based on the cultural heritage of the Zulu Kingdom and “Battlefields” is emphasised and managed to some extent, and there is also Glencoe which serves as a secondary centre to Dundee.

Umzinyathi Municipality, in conjunction with its North Western neighbour aMajuba Municipality, is branded as the “custodian” of the “Battlefields region of the Zulu Kingdom”. The “Battlefields of the Zulu Kingdom” are located in the hinterland and lie “in the shadow” of the majestic Drakensberg mountains spanning the western boundary of KwaZulu-Natal. This branding is of international and regional significance. In conjunction with the Beaches of the South and North Coast and Big Five Game attractions in the East of KwaZulu-Natal, the “Battlefields of the Zulu Kingdom” play a vital role in the spatial economy of the province from a tourism perspective. However, within uMzinyathi District, the range of battlefields attractions is not adequately harnessed for their job creating opportunities across the Municipality.

The main town in the uMvoti Municipality is Greytown. It is the agricultural centre of the District and contributes substantially to the economic viability of the District. Nquthu and Msinga Local Municipalities are rural based subsistence economies with cultural heritage areas that attract some tourists but need to be substantially developed. The main towns are Nqutu, Pomeroy and Tugela Ferry.

The topography of the district is characterised by extensive variation with deep river gorges, rolling grasslands, extensive wetlands, hills and valleys bush-velds. These characteristics make the development of infrastructure difficult and costly particularly in the steep terrains. The general slope of the land is between 1:5 and 1:6 and it is susceptible to soil erosion where it is not carefully managed.

3.2.1 DEMOGRAPHIC TRENDS AND CHARACTERISTICS

The comparative population figures for 2001 and 2011 at provincial level is depicted in Table 1 below. This information indicates that the population of KwaZulu Natal has increased from 9 584 129 in 2001 to 10 267 300 in 2011, contributing 19.8% in the entire country which is less than in 2001 due to the population growth of other provinces, namely, Gauteng, Limpopo and Mpumalanga.

Table No 1: Comparative population figures by Province for 2001 and 2011

Province	Census 2001		Census 2011	
	N	%	N	%
Eastern Cape	6 278 651	14.0	6 562 053	12.7
Free State	2 706 775	6.0	2 745 590	5.3
Gauteng	9 388 854	20.9	12 272 263	23.7
KwaZulu-Natal	9 584 129	21.4	10 267 300	19.8
Limpopo	4 995 462	11.1	5 404 868	10.4
Mpumalanga	3 365 554	7.5	4 039 939	7.8
North West	2 984 098	6.7	3 509 953	6.8
Northern Cape	991 919	2.2	1 145 861	2.2
Western Cape	4 524 335	10.1	5 822 734	11.2
South Africa	44 819 777	100.0	51 770 561	100.0

Source : 1. Statistics SA, Census 2001

2. Statistics SA, Census 2011

The KwaZulu Natal comparative population figures by Districts for 2001 and 2011 is depicted in Table 2 below. This information indicates that the population of Umzinyathi District Municipality has increased from 480 088 in 2001 to 510 838 in 2011, contributing 5.0% in the entire province which is the same percentage as in 2011 due to population growth of other districts, namely, Umgungundlovu, Uthungulu etc.

Table No 2: KwaZulu Natal Comparative population figures by Districts for 2001 and 2011

District	Census 2001		Census 2011	
	N	%	N	%
Ugu	704 030	7.3	722 484	7.0
UMgungundlovu	932 121	9.7	1 017 763	9.9
Uthukela	657 736	6.9	668 848	6.5
Umkhanyakude	573 341	6.0	625 846	6.1
Uthungulu	885 965	9.2	907 519	8.8
Sisonke	452 231	4.7	461 419	4.5
Umzinyathi	480 088	5.0	510 838	5.0
Amajuba	468 036	4.9	499 839	4.9
Zululand	780 069	8.1	803 575	7.8
iLembe	560 389	5.8	606 809	5.9
eThekwini	3 090 122	32.2	3 442 361	33.5
KwaZulu-Natal	9 584 129	100.0	10 267 300	100.0

Source : 1. Statistics SA, Census 2001

2. Statistics SA, Census 2011

The comparative population figures by local municipalities for 2001 and 2011 is depicted in Table 3 below. This information indicates that three local municipalities experienced an increase in population growth i.e. Endumeni, Msinga and Umvoti, while Nquthu Municipality experienced a decline in terms of population growth. The strongest population growth was evident in Endumeni Municipality as one of the major economic centres of the district.

Table No 3: Umzinyathi District Municipality Comparative population and households figures by Local Municipalities for 2001 and 2011

Municipality	2001			2011		
	Population	%	Households	N	%	Households
Endumeni	51 101	10.6	12,278	64 862	12.7	16,852
Nqutu	169 419	35.3	29,318	165 307	32.4	31,613
Msinga	167 274	34.8	32,505	177 577	34.8	37,723
Umvoti	92 294	19.2	19,669	103 093	20.2	27,282
Umzinyathi	480 088	100.0	93,770	510 838	100.0	113,470

Source : 1. Statistics SA, Census 2001

2. Statistics SA, Census 2011

3.3 VISION, MISSION AND CORE VALUES

3.3.1 Vision

“A dynamic and viable district that promotes good governance, integration and sustainable development”

3.3.2 Mission

“We are a united family of municipalities that champions service delivery through co-operative governance and public participation”

3.3.4 Core Values

- Commitment;
- Excellence;
- Customer Focus;
- Innovation;
- Trust;
- Transparency; and
- Integrity.

3.4 OVERVIEW OF THE LOCAL MUNICIPALITIES WITHIN UMZINYATHI DISTRICT MUNICIPALITY

3.4.1 Endumeni Local Municipality

- Main town is the Commercial centre Dundee;
- Most diversified economy;
- Commercial cattle farming and dairy production; and
- Centre of the Battlefields tourist region.

3.4.2 Nquthu Local Municipality

- Main town is Nquthu;
- Entirely rural region; and
- Subsistence agriculture is the main activity in the area

3.4.3 Msinga Local Municipality

- Main towns are Pomeroy and Tugela Ferry;
- Densely populated mountainous and rocky region; and
- Rural region with subsistence farming.

3.4.4 Umvoti Local Municipality

- Main town is the commercial centre Greytown;
- High potential farm land and low population density; and
- Strong in crop production and forestry.

3.5 ECONOMIC ANALYSIS

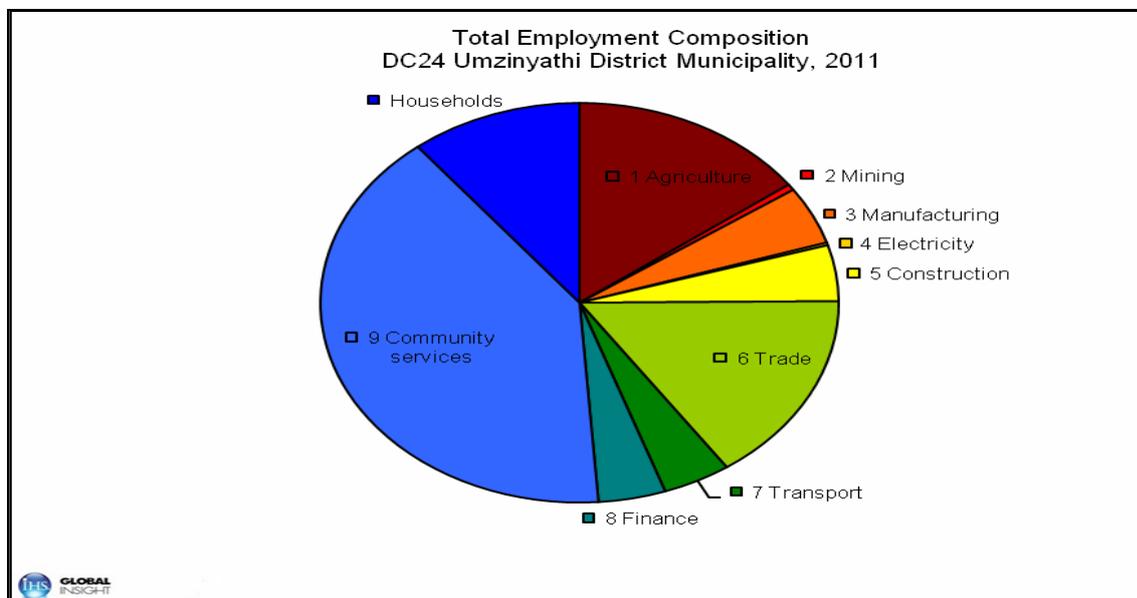
3.5.1 ECONOMICALLY ACTIVE POPULATION

The Global Insight data indicates that in 2009 the economically active population (EAP) for the district represented 12.5% which was an improvement on the 10% in 1996. However, the current data suggest that the EAP in 2011 was again down to 10%. The EAP rate peaked in 2007 at 13.4%. The failure of the economy to absorb current labour force has to a greater extent discouraged potential labour participants from seeking employment.

3.5.2 EMPLOYMENT

As can be seen from the figure below, in 2011 the *Community Services* sector employed the highest percentage of residents followed by *Agriculture* (30.3% or 4,052 people), *Households* (16.2% or 2,795 people), *Manufacturing* (5.7% or 990 people) and *Trade* (4.3% or 751 people).

Figure 3: Formal Employment per Sector for 2011 (%)



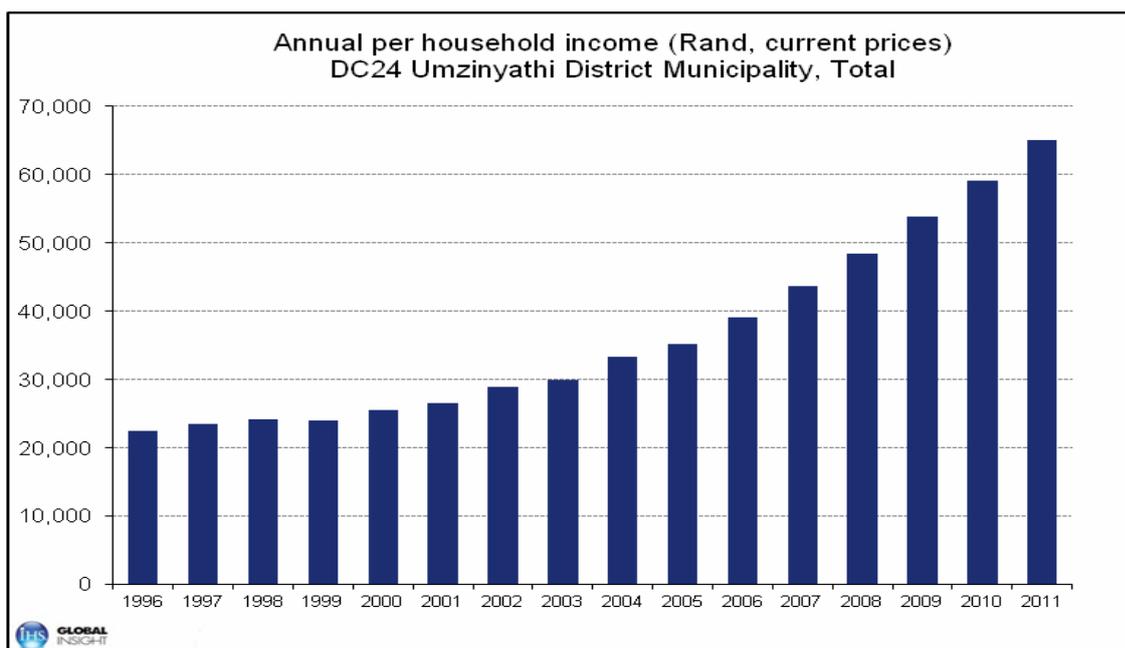
Source : Global Insight of SA, 2011

INCOME LEVELS

3.5.3 ANNUAL HOUSEHOLD INCOME

The following figure summarises the annual household income at current rand prices. As can be seen, there has been an improvement in the annual household income from 1996 to 2011. In 1996 households were earning an average of R22,485.00 per annum which has improved to R64,959.00 in 2011.

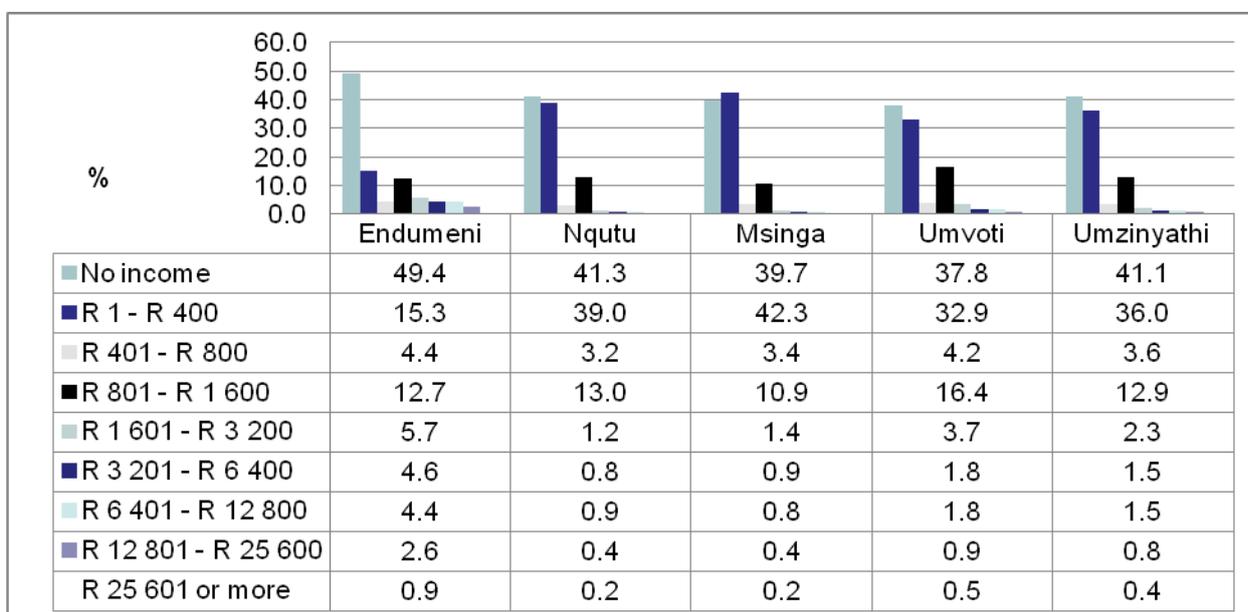
Figure 4: Annual per Household Income (1996 – 2011)



Source : Global Insight of SA, 1996 - 2011

The following figure indicates the number of households per income category. As can be seen from this data, there is still a significant number of households with no income, while there is a small number of households within a higher income group. .

Figure 5: Households per Income Category in 2011

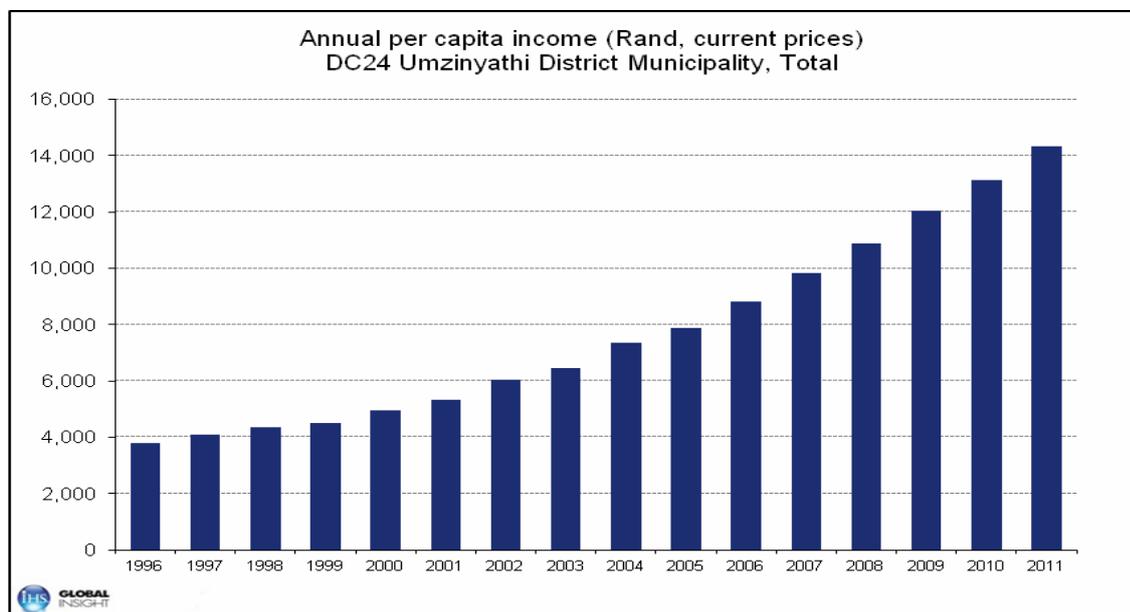


Source : Statistics SA, Census 2011

3.5.4 ANNUAL PER CAPITA INCOME

Annual per capita income has also improved during this period from R3,900.00 in 1996 to just below R14,208.00 in 2011.

Figure 6: Annual per Capita Income (1996 – 2011)



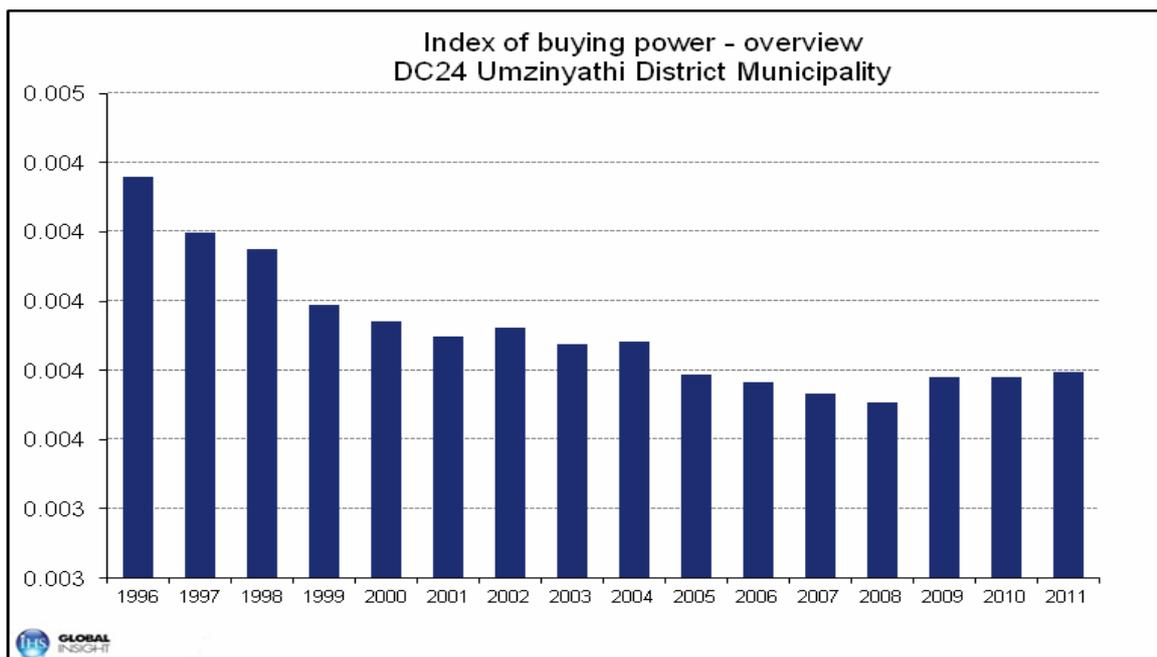
Source : Global Insight of SA (1996 – 2011)

3.5.5 INDEX OF BUYING POWER

An *Index of Buying Power* is a popular indicator of a geographical area's relative consumer buying power. The index is calculated using weighted data for income, retail sales, and population in the area being evaluated. The index can be used by retailers when considering new store locations.

The Index of Buying Power for the district has decreased marginally from 0.005% in 1996 to 0.004% in 2011. The retail share of the national total has also decreased from 0.3% in 1996 to 0.2% in 2011. Income share of the national total has remained static at 0.4% for the period 1996 to 2011.

Figure 7: Index of Buying Power (1996 – 2011)

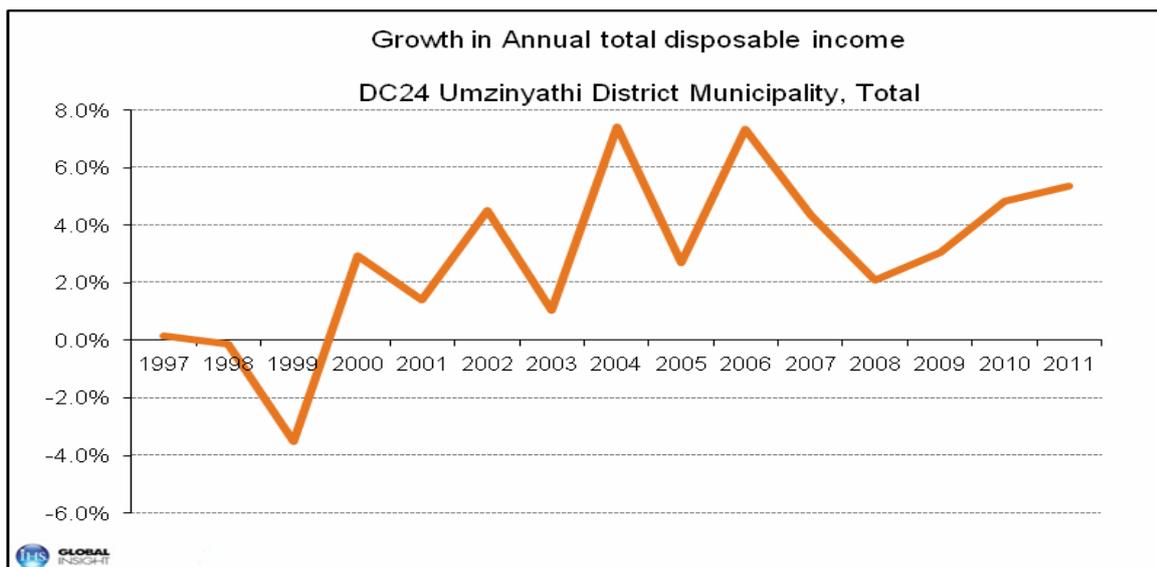


Source : Global Insight of SA (1996 – 2011)

3.5.6 ANNUAL TOTAL DISPOSABLE INCOME

The growth in the annual total disposable income is summarised in the graph below. As can be seen, 1998 until the end of 1999 saw a negative growth in total disposable income for the district. This was replaced by a period of positive growth from 2000 to 2009 with a peak in the growth in 2006. Although still positive, there has been a decline in the growth rate from 2006 to 2009 which corresponds with the *Global Financial Crisis*.

Figure 8: Growth in Annual Total Disposable Income (1996 – 2011)

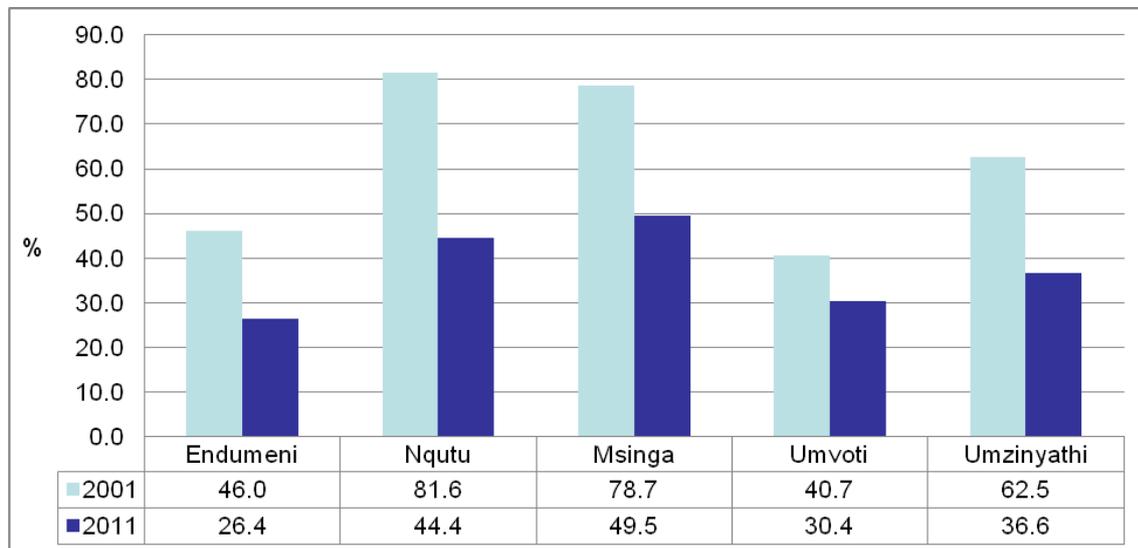


Source : Global Insight of SA (1996 – 2011)

3.6 UNEMPLOYMENT

The Statistics South Africa figures indicate that the Unemployment rate has decreased from 62.5% in 2001 to 36.5% in 2011. The following graph summarises these figures.

Figure 9: Unemployment Rate



Source : Statistics SA, Census 2011

Chapter 2: Governance

2.1 GOVERNANCE STRUCTURES

2.1.1 POLITICAL GOVERNANCE STRUCTURES

In terms of the political governance structures which were in place during 2012/13 financial year, they were as follows:

Executive Committee

During the year under review, the municipality had an effective and functional Executive Committee. The Executive Committee is the principal committee of Council for the municipality. The Executive Committee receives reports from other committees of Council, which must then forward these reports together with their recommendations to Council when it cannot dispose of the matter in terms of its delegated powers. The Executive Committee had thirteen meetings during 2012/13 financial year.

Council

During the year under review, the municipality had an effective and functional Council. The municipal Council ensured to strive within its capacity to achieve the objectives as set out in Section 152 of the Constitution which indicates that Council must annually review:

- The needs of the community;
- The priorities to meet those needs;
- Its processes in involving the community;
- Its organisational and delivery mechanism for meeting the needs of the community
- Its overall performance in achieving the objectives as set out in Section 152 of the Constitution.

Council had fourteen meetings during 2012/13 financial year.

Portfolio Committees

During the year under review, the municipality had an effective and functional Portfolio Committees which were established in line with Section 79 of the Municipal Structures Act (No 117 of 1998). The establishment of the committees was to ensure effective and efficient performance of the municipality in terms of service delivery, and also to assist the Executive Committee. The portfolio Committees serve to report to the Executive Committee in accordance with the performance directives of the Executive Committee.

The Section 79 Committees established, were established in the following manner:

Portfolio Committee	Number of Meetings
Finance	2
Technical Services	9
Corporate Services	2
Planning and Economic Development	3

Municipal Public Accounts Committee

During the year under review, the municipality had a functional Municipal Public Accounts Committee which was in charge with the responsibility to:

- Assist Council to hold the executive and administration to account;
- Councillors are therefore responsible for exercising oversight over both the executive and administration;
- Proper administration of oversight requires Councillors to be fully informed of their own agenda, business or affairs; and
- Councillors are accountable for the performance of the council, hence they must supervise the Municipal Council agenda, in order to achieve the desirable performance.

The Municipal Public Accounts Committee had six meetings during 2012/13 financial year.

2.1.2 ADMINISTRATIVE GOVERNANCE STRUCTURES

In terms of the administrative governance structures which were in place during 2012/13 financial year, it was structured as per the following departments:

- Top Management Committee;
- Office of the Municipal Manager;
- Office of the Mayor;
- Technical Services;
- Corporate Services; and
- Finance;

Top Management Committee

During the year under review, the municipality had a functional and effective Top Management Committee. The committee consisted of the Accounting Officer, Chief Financial

Officer and Senior Managers. The functions being performed by the Top Management Committee was to assist the Accounting Officer in managing and co-ordinating the financial management and overall administration of the municipality.

Office of the Municipal Manager

- Promote sound financial management throughout the municipality;
- Be responsible for all income and expenditure, all assets and the discharge of all liabilities;
- Ensure compliance with the Municipal Finance Management Act (MFMA) No. 56 of 2003;
- Prevent fruitless and wasteful expenditure; and
- Disclose all information on debts.
- The Office of the Municipal Manager also managed the following sections:
 - Integrated Development Plan and Performance Management System;
 - Internal Auditing, and
 - Disaster Management.

Office of the Mayor

The Office of the Mayor consisted of the following sections:

- Local Economic Development;
- Social Development;
- Special Programmes;
- Operation Sukuma Sakhe;
- Environmental Health; and
- Disaster Management.

Department: Technical Services

- Municipal Infrastructure Implementation;
- Municipal Infrastructure Operations and Maintenance;
- Environmental Health;
- Supporting unit through Department of Environmental Affairs.
- Water Service Authority;
- Community Development Facilitation;
- Planning; and
- Geographic Information System.

Department: Corporate Services

- Human Resources;
- Administrative Services / Council support;
- Information Technology;
- Registry Services
- Fleet Management; and
- Security services for the building

Department: Budget and Treasury Office

- Income and Expenditure,
- Procurement;
- Customer Care and Billing
- Asset Management
- Budgeting and Reporting; and
- Financial Reporting.

2.2 INTERGOVERNMENTAL RELATIONS

The Intergovernmental Relations Framework Act No 13 of 2005 stipulates that there must be a district Intergovernmental forum to promote and facilitate intergovernmental relations between the district and local municipalities within the district. During 2012/13 financial year, the municipality had in place the following Intergovernmental Relations structures:

Intergovernmental Relations Forum	Objective of the Function	Functionality
Umzinyathi District Coordinating Forum	The objective of the forum is to promote and facilitate intergovernmental relations and cooperative government between the district and local municipalities, the forum meets on quarterly basis and is functioning properly. The new protocol agreement was signed on the 17 November 2011.	Yes
Municipal Managers Forum	The Municipal Managers Forum serves as a technical support to the District Coordinating Forum and implements their resolutions. The members of the technical support structure are the Municipal Managers of the district family of municipalities, or officials designated by them, and it also	Yes

	meets on quarterly basis and is functioning properly.	
Speakers Forum	The forum has been recently established and the Terms of Reference for the forum will be discussed at its first meeting to be held in March 2012	Yes
General and Social Service Forum	The forum deals with matters relating to the Special groups which is youth, women, people living with disability, gender, children and elderly, and it also consist of government departments whose line function deals with the special groups.	
Provincial IGR COGTA meeting	Its a provincial structure which is being attended by the municipalities, its purpose is to track progress regarding the functioning of IGR	
Corporate Services Forum	The purpose of the forum is to share information on Administrative, Human Resource and Information Technology issues matters, and also to provide advice to the Municipal Managers Forum such matters.	Yes
IDP Representative Forum	The purpose of the forum is to serve as a platform where the district family of municipalities meet with the sector departments, private organisations, business, NGO's and CBO's to discuss developmental issues that affect the district family.	Yes
Planning and Development Forum	The purpose of the forum is to co-ordinate planning and development within Umzinyathi District by ensuring improved and continued communication amongst the various planning sectors, and also to ensure that planning and development within the District is undertaken in a holistic way and that it takes place within the framework of all Municipalities' Integrated Development Plans.	Yes
Disaster Advisory Forum	The purpose of the forum is to implement, monitor and co-ordinate all disaster management related issues within Umzinyathi District by ensuring improved and continued communication. The forum consists of representatives from the district and local municipalities, SAPS, Traffic,	Yes

	emergency services etc.	
District Communicators Forum	<p>The functions of the forum include but are not limited to the following:</p> <ul style="list-style-type: none"> • To coordinate the sharing of information pertaining to all spheres of government; • To coordinate and organise a calendar of events for the district to ensure that these activities are streamlined across the district to avoid duplication and waste of resources; and • To provide support to local municipalities with regard to development of communication strategies. 	Yes
Planning Cross border alignment Forum	This forum ensures alignment and integration of functional areas on the IDP and Spatial development framework. It also assists the municipalities to align development issues in an efficient, effective and sustainable manner especially where there are shared and interdependent functional areas across the district.	Yes
Disaster Cross border alignment Forum	This forum ensures alignment and integration of functional areas on the Disaster Management.	Yes
Chief Financial Officer Forum	The purpose of the forum is to share information on financial management and also to provide advice to the Municipal Managers Forum on financial matters.	Yes
Infrastructure Forum	The purpose of the forum is to ensure integration and alignment of Infrastructure projects being implemented within the district.	Yes
IDP Technical Committee	<p>The purpose of the forum is to:</p> <ul style="list-style-type: none"> • Streamlining planning process; • Finding a common district wide development vision; • Consolidation and alignment of programmes and budgets; • Unifying the channelling of both private and public 	Yes

	sector investments; <ul style="list-style-type: none"> • Combating socio-economic ills in a strategic and coordinated manner; and • Put forward a plan of action that will enjoy political buy-in at levels. 	
Tourism Forum	Tourism is one the key economic sectors within the district. Therefore, the purpose of the forum is to coordinate and implement economic Tourism programmes and projects within the district.	Yes
Agricultural Forum	Agriculture is one the key economic sectors within the district. Therefore, the purpose of the forum is to coordinate and implement agricultural programmes and projects within the district.	Not fully effective

2.3 PUBLIC ACCOUNTABILITY AND PARTICIPATION

2.3.1 Public Meetings

Since the IDP involves participation of a number of stakeholders, it was crucial for the municipality to adopt an appropriate approach and also put in place appropriate structures to ensure effective participation. The municipality had a number of structures advocating public participation which are as follows:

The **IDP_LED Technical Committee (IDP Representative Forum)** is a broad based meeting where all the key role players meet to discuss developmental programmes and projects of the district, and it also serves for alignment and integration of the IDP's. The representatives that attend these meetings include the IDP, LED, and Planning Personnel of the district and four local municipalities, the sector departments, the Service Providers, NGO's etc.

The **Planning and Development Forum (IDP Alignment Committee)** is a mechanism that is established with the purpose of addressing specific issues of interest that need to be aligned between the district and local municipalities. The Alignment Committee meetings are different from the IDP_LED Technical Committee meetings. The intension is that the alignment meetings focus on specific challenges and opportunities that exist between the district and local municipalities.

The **Public Engagements** is a process where communities are being provided an opportunity to discuss developmental issues as required by Chapter 4, Section 16 & 17 of the Municipal Systems Act, which stipulates that municipalities are required to develop a culture of public participation and consult their respective communities on developmental issues. During the IDP Review for 2012/13, communities were consulted through their structures (e.g ward committees, community development workers) to participate during the process in all four local municipalities.

2.3.2 IDP Alignment

Horizontal Alignment

Alignment of the Umzinyathi IDP with the local municipalities is imperative to ensure that there is a sharing of information – particularly with regards to strategies, objectives, programmes and projects, and it will be undertaken through the Planning and Development Forum which convenes on bi-monthly basis. The frequent meetings of the Planning and Development Forum assisted the district family to monitor alignment issues constantly.

Vertical Alignment

Alignment with Sector department and Service providers will also take place as it is essential in order for the District family to have consistence planning and also priorities can be indicated in their project prioritization. This was undertaken through meetings or one-on-one basis. The district convened two IDP_LED Technical Committee meetings (IDP Representative Forums), the first one was in March 2013, to discuss integration issues and also to present to Sector Departments the key municipal priorities which require funding for implementation in the next financial year, and the second IDP Representative Forum was in April 2013, to obtain feedback from Sector Departments and also for integration.

2.4 CORPERARE GOVERNANCE

2.4.1 Municipal Website

During the year under review, the municipality had a functional website with the information required to be made in public in terms of the Municipal Systems Act and Municipal Finance Management Act, e.g IDP, Budget, Policies, Performance Agreements, SDBIP etc.

2.4.2 Public Satisfaction on Municipal Services

The municipality completed the preparation of the 2012/13 Customer Satisfaction Survey and the issues emanating from the study will be addressed through the 2014/15 IDP Review. The aim of the study was to determine the perceptions of the community on the services the municipality is providing. The Customer Satisfaction Survey also contribute to improving communication between the municipality and the community in determining the social and

economic needs that require urgent attention and deemed necessary to improve the quality of lives.

2.4.3 Municipal Oversight Committees

Audit Committee

During the financial year under review, the Municipality had a functional Audit Committee as required in terms of section 166(6)(a) of the Municipal Finance Management Act 56 of 2003. The Audit Committee had seven meetings during 2012/13 financial year.

Internal Auditors

In order for the Audit Committee to meet its objectives, the municipality also contracted Gobodo Inc as its Internal Auditors to assist in attending to internal audit matters prior to submission to the Audit committee. Later, during the year under review, the municipality appointed Umnotho Business Consulting as its Internal Auditors after the contract with Gobodo expired. The municipality is also strengthening the internal capacity in terms of the Internal Audit unit as two personnel have been appointed.

Chapter 3: Service Delivery Performance

The analysis of the 2012/13 performance information is aligned to the local government strategic agenda as per the following Key Performance Areas:

KPA 1: Municipal Transformation and Organizational Development

KPA 2: Basic Service Delivery

KPA 3: Local Economic Development

KPA 4: Municipal Financial Viability and Management

KPA 5: Good Governance and Public Participation

KPA 6: Cross-Cutting Issues

1: Key Performance Area

Municipal Transformation and Institutional Development

This Key Performance area covers the following areas:

- Performance Management Systems.
- Filling of Section 54 and 56 Manager positions;
- Signed performance agreements by Section 54 and 56 Managers;
- Disciplinary processes against Section 54 and 56 Managers;
- Employment Equity
- Human Resource Development Strategy
- Municipal Budget spent on implementing workplace skills plan
- Challenges experienced in municipal transformation and organizational development
- Measures taken to improve performance
- Recommendations (including assistance required)

Performance Management System

Table 1: Implementation on PMS implementation in municipalities- 2012/13

Municipality	Does the municipality have a PMS Policy Framework developed /reviewed and adopted by Council (State date of adoption)	Did the municipality review/develop its IDP and engaged with the community in the process	Is the municipality's adopted IDP linked to SDBIP?	No of Section 54/6 Performance contracts signed?	No of Section 54/6 managers with signed Performance Agreements?	Is the municipality's PMS audited by an Internal Auditor for functionality and legal compliance?	Has the municipality Appointed Performance Audit Committee (PAC)	Did the municipality submit previous year's council oversight report and made public	No of quarterly performance reports submitted	Has the municipality cascaded PMS to lower levels	State reasons for non-compliance of any of these components
Y/N:	Yes	Yes	Yes	4	4	Yes	Yes	Yes	4	No	
Date:											

Table 2: Linkage between IDP and SDBIP

Municipality	2010/11			2011/12			2012/13		
	IDP Framework/ Process Plan Approved	IDP adopted and Submitted	Is the IDP aligned to SDBIP	IDP Framework/ Process Plan Approved	IDP adopted and Submitted	Is the IDP aligned to SDBIP	IDP Framework/ Process Plan Approved	IDP adopted and Submitted	Is the IDP aligned to SDBIP
Y/N:	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Date:	August 2009	May 2011	May 2011	August 2010	May 2012	May 2012	August 2011	May 2012	May 2012

Table 3: Filling of Section 54/6 Managers posts

Municipality	2010/11			2011/12			2012/13			Reasons for vacancies
	No of posts approved	No of posts filled	No of vacancies	No of posts approved	No of posts filled	No of vacancies	No of posts approved	No of posts filled	No of vacancies	
Municipal Manager	00	01	00	01	01	00	1	1	0	
Chief Financial Officer	00	01	00	01	01	00	1	1	0	
Technical	00	01	00	01	01	00	1	1	0	
Corporate Services	00	01	00	01	01	00	1	1	0	
Manager in Mayors Office	00	01	00	01	01	00	1	1	0	
TOTAL	00	05	00	05	05	00	5	5	0	

Table 4: Disciplinary processes against Section 54/6 Managers

Municipality	2010/11			2011/12			2012/13		
	No of reported cases	No of pending cases	No of resolved cases	No of reported cases	No of pending cases	No of resolved cases	No of reported cases	No of pending cases	No of resolved cases
Number:	00	00	00	00	00	00	1	1	0

Compliance with the EEA**Table 5: Women appointments – Section 54/6 Managers**

Municipality	2010/11			2011/12			2012/13		
	No. of Section 54/6 posts approved	Women appointed in Section 54/6 posts	No of vacancies for women Section 56/7 Managers	No. of Section 54/6 posts approved	Women appointed in Section 54/6 posts	No of vacancies for women Section 54/6 Managers	No. of Section 54/6 posts approved	Women appointed in Section 54/6 posts	No of vacancies for women Section 54/6 Managers
Number:	00	00	00	01	01	01	1	1	0

Table 6: Employment of people with disabilities (The entire Organization)

Municipality	2010/11			2011/12			2012/13		
	Total no. of people with disabilities	No. of Section 54/6 Mangers with disabilities	No of vacancies for people with disabilities	Total no. of people with disabilities	No. of Section 54/6 Mangers with disabilities	No of vacancies for people with disabilities	Total no. of people with disabilities	No. of Section 54/6 Mangers with disabilities	No of vacancies for people with disabilities
Number:	00	00	00	01	00	00	1	1	5

Table 7: Employment of employees that are aged 35 or younger (Whole Organization)

Municipality	2010/11			2011/12			2012/13		
	Total approved posts	No of posts occupied by staff aged 35 or younger	% of posts occupied by staff aged 35 or younger	Total approved posts	No of posts occupied by staff aged 35 or younger	% of posts occupied by staff aged 35 or younger	Total approved posts	No of posts occupied by staff aged 35 or younger	% of posts occupied by staff aged 35 or younger
Number and percentage:	74	49	66.2%	123	43	35%	71	71	48.97%

Table 8: Development and Implementation of specific HR policies and systems per municipality – 2012/13

Municipality	Recruitment and selection policy			Skills Development Plan			EE Plan			HRM and HRD policies		
	Reviewed /Developed	Approved	Implemented	Reviewed /Developed	Approved	Implemented	Reviewed /Developed	Approved	Implemented	Reviewed /Developed	Approved	Implemented
Y/N	Y	N	Y	Y	N	Y	Y	N	Y	Y	N	Y
Date:												

Table 9: Workplace Skills Plans submitted by municipalities

Management level	municipality	2010/11		2011/12		2012/13	
		Total No of staff approved	No. of staff trained	Total No of staff approved	No. of staff trained	Total No of staff approved	No. of staff trained
Councillors	Umzinyathi DM	22	22	24	22	24	19
Senior Management level	Umzinyathi DM	04	04	04	04	5	4
lower level employees	Umzinyathi DM	32	32	33	32	41	32
Technicians and professional	Umzinyathi DM	32	32	39	32	52	7
Labourers	Umzinyathi DM	07	07	08	07	9	1
TOTAL	Umzinyathi DM	97	97	108	97	131	63

Section 139 interventions

Table 10: Has the municipality been put under section 139 interventions. If YES, which year(s)

municipality	2010/11	2011/12	2012/13
Y/N:	N	N	Y
Year:			12 June 2013

1.1 CHALLENGES

- Lack of affective implementation of the policies to strengthen the operational arrangements for the municipality.
- Lack of effective implementation of the Workplace Skills Plan due to financial constraints
- Lack of effective policy implementation

1.2 MEASURES TAKEN TO IMPROVE PERFORMANCE

- Effective implementation of policies to strengthen and also to effective operational arrangements for the municipality
- Provision of reasonable budget to enable effective implementation of the policies

1.3 RECOMMENDATIONS

- Specialist person be sourced to workshop councillors and staff on the impact of policies in the organisation
- Funding for training and development of councillors and staff needs to be prioritised and aligned.

2: Key Performance Area

Basic Service Delivery and Infrastructure Investment

This Key Performance Area covers the following areas:

- Progress
 - Access to Free Basic Services
 - Water
 - Sanitation
 - Electricity
 - Refuse removal
 - Access to Basic Services
 - Water provision
 - Waste Water
 - Electricity
 - Waste management
 - Housing
 - Bucket System Eradication
 - Indigent Policy implementation
 - Roads and Transport
 - Infrastructure
 - Transport (vehicle registrations)
 - Public bus transportation
- Challenges experienced in basic service delivery (indicate specific municipalities)
- Measures taken to improve performance
- Recommendations

Table 11: Access to basic services

Municipality	2010/11								2011/12								2012/13													
	Housing		Water (on site)		Sanitation		Refuse removal		Electricity (in house)		Housing		Water (on site)		Sanitation		Refuse removal		Electricity (in house)		Housing		Water (on site)		Sanitation		Refuse removal		Electricity (in house)	
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
No. of hh	N/A	N/A	3800	3462	3639	6779	N/A	N/A	N/A	N/A	N/A	N/A	2618	3172	3800	11205	N/A	N/A	N/A	N/A	N/A	N/A	2338	216	3800	5348	N/A	N/A	N/A	N/A

Housing Backlogs = 55 000 units - Function being performed by the local municipalities

Sanitation Backlog = 21 034 (20%)

Water supply Backlog = 30 498 (29%)

Electricity Backlogs = Unknown

Waste Removal = 80% - Function being performed by the local municipalities

Table 12: Blue Drop Water Certification per province (Applicable to Water Service Authorities)

Municipality	2010/11		2011/12		2012/13	
	Did the municipality receive a blue drop certification?	If not, state the reason	Did the municipality receive a blue drop certification?	If not, state the reason	Did the municipality receive a blue drop certification?	If not, state the reason
Y/N and reason	N	Only 91% status achieved because of qualifications of staff.	Y		Not known yet	Assessment still in progress

Table 13: Total grants, donations and contributions received per municipality

Municipality	2010/11			2011/12			2012/13		
	Allocations	Amount spent	% spent	Allocations	Amount spent	% spent	Allocations	Amount spent	% spent
Rands and percentages MIG Programme	94 329 485.37	94 329 485.37	100	161 112 413.18	161 112 413.18	100	196 907 000.00	196 907 000.00	100

Municipality	2010/11			2011/12			2012/13		
	Allocations	Amount spent	% spent	Allocations	Amount spent	% spent	Allocations	Amount spent	% spent
Rands and percentages RBIG Programme	28 571 700.00	10 496 875.45	37%	5 578 500.00	9 322 831.70	167%	20 000 000.00	21 631 109.56	103%

Municipality	2010/11			2011/12			2012/13		
	Allocations	Amount spent	% spent	Allocations	Amount spent	% spent	Allocations	Amount spent	% spent
Rands and percentages- MASSIFICATION Programme	0	0	0	20 000 000	13 000 000	65	4 600 000	10 360 568.84	225%

Indigent Policy implementation with regard to provision of free basic services

Table 14: Indigent Policies and Registers

Municipality	2010/11			2011/12			2012/13		
	Reviewed /developed indigent policies	Indigent policy implemented	Indigent registers in place	Reviewed /developed indigent policies	Indigent policy implemented	Indigent registers in place	Reviewed /developed indigent policies	Indigent policy implemented	Indigent registers in place
Y/N:	Y	Y	Y	Y	Y	Y	Y	Y	Y
Date:									

Table 15: Status on the provision of free basic services by municipalities (2012/13)

Municipality	Electricity		Water		Sanitation		Refuse removal	
	No of indigent households receiving free service	Units per household (kwh)	No of indigent households receiving free service	Units per household (kl)	No of indigent households receiving free service	Units/ R value pm per household	No of indigent households receiving free service	Units/ R value pm per household
Number of H/holds and units	N/A	N/A	103 912 (All municipality households)	6KL	5 348	R7 500	N/A	N/A

2.1 WATER AND SANITATION PROJECTS

2.1.1 Water Projects

LM	Ward No.	No. of Households	Project Name	Funding source	Budget	Expenditure	Variance
Endumeni	-	-	Glencoe Sithembile Housing Bulk Services	MIG	5,800,000.00	5 817 627.85	
Endumeni		-	Dundee bulk	MIG	5,000,000.00	4 864 263.70	Project not yet registered on MIS
Nquthu	4,2 and 1	-	Hlazakazi water scheme phase 1 – Isandlwana	MIG	1,000,000.00	1 042 903.69	Budget re-allocation
Nquthu	1	-	Qhudeni water scheme	MIG	-	-	Negligible variance
Nquthu	2,5,14&15	-	Ntinini Water	MIG	600,000.00	587 934.07	Budget re-allocation
Nquthu		-	Vant's drift	MIG	2 000 000.00	2 434 944.86	Budget re-allocation
Msinga	1	216	Spring development	UDM	50 000.00	50 000.00	Budget re-allocation
Msinga	12	-	Mthembu West - Tugela Ferry Water	MIG	400,000.00	0.00	Budget re-allocation
Msinga	2	-	Ngubukazi water scheme	MIG	6,500,000.00	7 336 835.37	Negligible variance
Msinga	6	-	Mbono water	MIG	16,000,000.00	16 620 868.29	Negligible variance
Msinga	1	-	Douglas Water	MIG	-	-	Budget re-allocation
Msinga	1	-	Msinga bulk	MIG	24,000,000.00	23 067 093.52	Budget re-allocation
Msinga	8	-	Msinga Top	MIG	-	794 525.92	Budget re-allocation
Msinga	2	-	Pomeroy Sub-Regional Water Scheme	MIG	-	-	Negligible variance

Msinga	1	-	Keates Drift Water Scheme	MIG	19,082,297.00	21 992 743.65	Budget re-allocation
Umvoti/Msinga	9	-	Muden Regional	MIG	15,000,000.00		
Umvoti/Msinga	9	-	Ndaya	MIG	12,000,000.00		
Umvoti	11	-	Makhabaleni water phase 6	MIG	20,000,000.00	19 612 010.40	
Umvoti	14	-	Mbulwane/Hlimbithwa Water	MIG	2 100 000.00	-	Budget re-allocation
Umvoti	4	-	Ophathe water	MIG	11 000 000.00	-	Budget re-allocation
Umvoti	8	-	Eshane water supply scheme phase 1	MIG	-	1 811 675.34	Budget re-allocation
Umvoti	2 &3	-	Greytown regional bulk	MIG	-	-	Budget re-allocation
				DWAE	20,000,000.00	21 534 924.17	Negligible variance
Umvoti	2 &3		Water Conservation/demand management	DWAE	1 600 000.00	1 600 000.00	No variance
Umvoti	2 &3	-	Water Conservation/demand management	Cogta	3 000 000.00	3 000 000.00	No variance
Umvoti	7		Massification Project -Matimatolo water	Cogta	-	5 760 568.84	Spending from previous year unspent allocation
Total		216			164 132 287.00	136 886 016.00	

2.1.2 Sanitation Projects

LM	Ward No.	No. of Households	Project Name	Funding source	Budget	Expenditure	Variance
eNdumeni	1	80	Sithembile bulk	MIG	-	-	
Nquthu	1,2,4 and 5	-	Qhudeni – Manxili sanitation	UDM	-	-	
Nquthu	8,10 and 11	-	Nquthu sewer	UDM	-	-	
Nquthu	7	-	Nondweni Town Sewage Disposal	UDM	-	-	
Msinga	10	412	Kwakopi – Mhlangana sanitation	MIG	7,000,000.00	7 063 821.14	Accelerated expenditure to make up for slow projects
Msinga	6	-	Othame sanitation	MIG	2 000 000.00	5 024 488.49	Accelerated expenditure to make up for slow projects
Msinga	2,3	2 105	Pomeroy-Douglas-Nkalane Sanitation	MIG	12,500,000.00	12 513 883.79	
Umvoti	1	45	Muden/Ophathe sanitation	MIG	9,000,000.00	8 926 534.48	
Umvoti	3	571	Mbulwane/Hlimbithwa Sanit.	MIG	5,124,703.00	4 176 509.76	Slow contractor
Umvoti	1,3	443	Umvoti sanitation area plan	MIG	4,000,000.00	3 890 375.56	
Nquthu	7	1 692	Nquthu sanitation area plan	MIG	25,000,000.00	24 860 708.68	
TOTAL		5 348			64 624 703.00	66 456 321.00	

2.1.3 Rudimentary Projects

LM	Ward No.	No. of Households	Project Name	Funding source	Budget	Expenditure	Variance
Various	Various	-	Total	MIG	4 000 000.00	-	Project not yet registered on MIS

2.1.4 Other Infrastructure Projects

LM	Ward No.	No. of Households	Project Name	Funding source	Budget	Expenditure	Variance
Endumeni	1	N/A	Renovation of princess Magogo building	UDM	5 000 000.00	-	Budget re-allocation
All	All	N/A	Rehabilitation of water/sanitation infrastructure	UDM	8 000 000.00	-	Budget re-allocation
Msinga	4	N/A	Pomeroy Complex	UDM	3 000 000.00	-	Budget re-allocation
All	All	N/A	Road asset management system	DOT	1 800 000.00	1 800 000.00	No variance
			Total		17 800 000.00	1 800 000.00	

The municipality utilized different funding sources to implement the above mentioned projects, which made it possible for the municipality to deliver on its developmental mandate thereby reducing the backlogs. The breakdown of the funding sources is as follows;

Funding Source	Project Budget	Expenditure
MIG	196 907 000.00	196 447 000.00
Water Affairs	23 200 000.00	23 231 109.56
Municipal Funding	0.00	0.00
COGTA	3 000 000.00	3 000 000.00
Dept of Transport	1 800 000.00	1 800 000.00
Total	237 907 000.00	221 478 109.56

2.1 EXPANDED PUBLIC WORKS PROGRAMME (EPWP)

Umzinyathi District Municipality is also committed in training and developing communities through the EPWP programme, thereby promoting economic growth and creating sustainable development, and employment opportunities. During the year under review, the municipality obtained R 197,000.00 from EPWP and was utilized for the application of labour intensive methods for the benefit of the local community from the following projects, Msinga Bulk, Ngubukazi, Ophathe, Greytow Bulk, Kranskop water scheme, Nhlalakahle, Eshane, Dundee, Ruigfontein and Muden.

In terms of the water projects, communities were trained and skilled in plumbing, bricklaying, concrete works, pipe laying, steel fixing and elementary project management. In terms of sanitation, communities were trained and skilled bricklaying and panel laying. In total, 390 jobs were created, and the breakdown is as follows: Male – 43, Female 20, Youth – 33,

2.3 REGIONAL SOLID WASTE DUMP SITES

North Regional Waste Site which is located in Glencoe under Endumeni Municipality - (R15,000,000.00 has been funded by Department of Environmental Affairs to develop the regional waste site): The Memorandum of Agreement between the municipality and the Department of Environmental Affairs has been finalized. The department has recommended the Business Plan for approval on the 02nd of April 2013. The department has appointed Fountain Civil Engineers as the implementer of the project. Recruitment of 228 beneficiaries is in progress and the implementation process is scheduled for the 1st of July 2013.

South Regional Landfill Waste Site located in Greytown under Umvoti Municipality (R15,000,000.00 has been funded by Department of Environmental Affairs to develop the regional waste site). Waste Management Licensing of the site is in progress. The project suffered a setback due to payment delays towards the environmental impact assessment process. Currently the Department of Agriculture and Environmental Affairs is awaiting for the final draft of the environmental impact assessment report from the Consultant. The department has appointed Linked Environmental Services as the Implementer of the project.

2.2 CHALLENGES

- The re-adjustment of the budget to resulted in few households benefitting from new water connections;
- Payments of service providers under the RBIG programme have not been made on time; i.e the contractual obligation of 35 days. If there is no immediate intervention, the challenge would result to slow pace of service delivery; and
- Reconciliation of MIG expenditures with the finance department has been a challenge throughout the year, but the challenge is being addressed.

2.3 MEASURES TAKEN TO IMPROVE PERFORMANCE

- More households to benefit from new water house connections which have been planned for in advance thereby ensuring the acceleration of service delivery;
- The challenge of payments has been escalated with the Department of Water Affairs.
- MCJ Engineers, has been appointed by MISA, and they have tasked to develop a tracking system which will assist in the reconciliation of invoices and the tracking of household beneficiaries.

2.4 RECOMMENDATIONS

- More households to benefit from new water house connections have been planned for in advance through the Municipal Water Infrastructure Grant.(MWIG); and
- MCJ Engineers, has been appointed by MISA, and they have tasked to develop a tracking system which will assist in the reconciliation of invoices and the tracking of household beneficiaries.

3: Key Performance Area Local Economic Development

This Key Performance Area will cover the following areas:

- Progress
 - Number of jobs created through infrastructure capital projects (*this should include Previously Disadvantaged Individuals*)
 - Development and implementation of LED strategies and plans
 - Capacity for implementing LED in municipalities
- Challenges experiences in local economic development (indicate specific municipalities)
- Measures taken to improve performance
- Recommendations

Table 16: Municipalities with adopted and implemented LED strategies

Municipality	2010/11			2011/12			2012/13			Reasons for no strategy in place
	LED strategy reviewed/ developed	LED strategy approved	LED strategy implemented	LED strategy reviewed/ developed	LED strategy approved	LED strategy implemented	LED strategy reviewed/ developed	LED strategy approved	LED strategy implemented	
Y/N:	Implementation plan reviewed YES	Yes	Yes	Yes	Yes	YES	Yes	Awaiting Council endorsement	Yes	
Date:	-	-	2010/2011	July 2011		2011/2012	April 2013		2012/13	

Table 17: Capacity of municipalities to implement LED

Municipality	2010/11		2011/12		2012/13	
	Number:	3	2	11	10	11

Figure 18: Number of jobs created per Municipality

Municipality	2010/11			2011/12			2012/13		
	No. of jobs created through EPWP	No. of jobs created through CWP	No. of jobs created for Co-operatives	No. of jobs created through EPWP	No. of jobs created through CWP	No. of jobs created for Co-operatives	No. of jobs created through EPWP	No. of jobs created through CWP	No. of jobs created for Co-operatives
Number:	0	0	0	0	0	0	0	0	0

Table 19: EPWP implementation per Municipality (2012/13)

Municipalities	Person-years of work including training	Person-Years of training	Gross number of work opportunities created	No of youth	No of women	No of people with disabilities
Number and percentage	N/A					

3.1 SMME DEVELOPMENT

3.1.1 EMERGING CONTRACTORS DEVELOPMENT

The first intake of 30 female contractors completed the incubation programme in March 2013 and is due for graduation. The achievements of the programme as at 30 June 2013 are as follows:

- 26 contractors completed all Construction SETA unit standards which formed part of the training programme.
- 10 contractors have successfully moved up on the CIDB register. One contractor is now on grade 6.
- 13 contractors have projects in the pipeline which will advance them on the CIDB register once completed. These contractors qualify to exit the programme however they will continue to receive technical support and mentorship until they complete the projects. Furthermore, SEDA Contractor Incubator will assist them with the CIDB processes.

3.1.2 AGRICULTURAL INCUBATION PROGRAMME

The agricultural incubation programme aimed to provide technical support to local emerging farmers. The Municipality had engaged the services of Mpumalanga Agri-Skills Development Training to provide training and mentorship. A total of 45 emerging farmers were supported during the three years contract which came to an end in September 2013. The service is currently offered internally through the support of the LED agriculture facilitators. In financial year ending June 2013, a total of eleven emerging farmers received mentorship as well as financial support through the District maize production programme. Moreover the farmers were linked to local markets and will continue to receive further support in preparation for the oncoming planting seasons.

3.2 Mankomfane/Msinga vegetable production

Activities undertaken in the financial ending June 2013 involved mainly infrastructure development. The scope of work done includes fencing of the earmark area i.e. 150 ha, clearing of trees and vegetation, construction of access roads and installation of centre pivots irrigation system.

3.3 Agriculture mechanization

Thirteen emerging farmers (300 ha of land) were supported with ploughing and planting as part of the mechanization programme. Eight temporary job opportunities for tractor drivers were created during the September 2012- January 2013 planting season.

3.4 Umzinyathi maize production

Three hundred (300) sites / 11 farms were identified for the 2012/13 maize production initiative which aims to address the socio-economic needs of food security and job creation amongst local communities, particularly in land reform farms. The beneficiaries received agricultural inputs for maize production, ploughing and planting services under the mechanization programme and continued mentorship and support from the LED agriculture facilitators. At the end of June, some of the sites had completed harvesting e.g. Mankomfane harvested 61 tons of maize which was sold to the local market at R 1 800 per ton.

3.5 CHALLENGES

- Financial resources limitations have created a challenge in the implementation of planned economic development initiatives and the lack of capacity to identify and leverage external funding has added to this challenge; and
- Capacity constraints to effectively identify, package and implement key catalytic economic development projects remains a challenge;
- The challenge of capacity to implement LED is also a problem at Local Municipality level hence it hinders proper joint planning for District wide Local Economic Development

3.6 MEASURES TAKEN TO IMPROVE PERFORMANCE

- The Municipality has in the past presented plans and an intention to establish an Economic Development Agency which would serve as a special purpose vehicle to drive LED in the District, however funding and technical expertise required for setting up the entity were not available. It is envisaged that the agency would take over the function of identifying and exploring catalytic interventions, package proposals, leverage funding, marketing the District and facilitating strategic linkages and partnerships for economic development. SALGA and COGTA are currently championing the drive to establish District economic development agencies and Umzinyathi has been part of the processes thus far.

- The Municipality has an annual allocation for LED programmes/ projects however there is a need to identify external sources of funding in order to supplement the internal budget, hence proposal have been submitted to COGTA for funding of some projects under the Corridor Development programme.

3.7 RECOMMENDATIONS

The establishment of an economic development agency needs to be given priority. This initiative has been included in the recently reviewed District LED strategy as it is deemed to be one of the catalytic interventions which will assist in addressing challenges related to capacity at a District and Local Municipalities level as well as serve to market the District for public and private investment and leverage funding for the implementation of economic development programmes.

4: Key Performance Area Municipal Financial Viability and Management

This Key Performance Area consists of the following areas:

- Financial viability
- Capital expenditure by municipalities
- Compliance with the MFMA
- Municipal budgets, expenditure and revenue sources
- Financial viability defined in terms of debt coverage, outstanding debtors to revenue and cost coverage by h municipality
- Challenges experiences in municipal financial viability (indicate specific municipalities)
- Measures taken to improve performance
- Recommendations

Capital Expenditure by Municipality

Table 20: Performance against budget by municipalities

Municipality	2010/11			2011/12			2012/13		
	Budget approved	Revenue	Expenditure	Budget approved	Revenue	Expenditure	Budget approved	Revenue	Expenditure
Rands:	186376018	112356797	134 330 759	186 892 111	185822919	211 735 817	604 026 144	551 270 520	498 721 144

Table 21: Total grants, donations and contributions received

Municipality	2010/11			2011/12			2012/13		
	Total donations, grants and contributions available	Total spent	% expenditure	Total donations, grants and contributions available	Total spent	% expenditure	Total donations, grants and contributions available	Total spent	% expenditure
Rands and percentage	38781892	237715156	16%	24748808	156484216	15%	471 819 994	456 087 397	97%

Table 22: A-G Opinion

Municipality	Audit Opinion 2010/11				Audit Opinion 2011/12				Audit Opinion 2012/13			
	Unqualified	Qualified	Disclaimer	Adverse	Unqualified	Qualified	Disclaimer	Adverse	Unqualified	Qualified	Disclaimer	Adverse
X	X				X							

Financial Viability

Table 23: Outstanding debt and debt management

Municipality	2010/11				2011/12				2012/13			
	Water & Electricity	Sewerage & Refuse	Housing	Other	Water & Electricity	Sewerage & Refuse	Housing	Other	Water & Electricity	Sewerage & Refuse	Housing	Other
Rands:	n/a	n/a	n/a	6231245	n/a	n/a	n/a	20323081	100 527 816	35 864 228		38 864 341

Table 24: Development of Revenue Enhancement Strategy

Municipalities	2010/11			2011/12			2012/13		
	Strategy Reviewed /developed	Strategy implemented	Has the municipality's Revenue improved?	Strategy Reviewed /developed	Strategy implemented	Has the municipality's Revenue improved?	Strategy Reviewed /developed	Strategy implemented	Has the municipality's Revenue improved?
Y/N:	No	No	No	No	No	No	yes	no	yes
Date:									30 June 2013

4.1 CHALLENGES

- High service backlogs which require funding; and
- High rate of grant dependency.

4.2 MEASURES TAKEN TO IMPROVE PERFORMANCE

- Cash flow forecast prepared and cost cutting measures have been implemented; and
- Credit control policies implemented.

4.3 RECOMMENDATIONS

- Sourcing of external funding to eradicate backlogs; and
- Improve internal revenue collections.

5: Key Performance Area Good Governance and Public Participation

This Key Performance Area consists of the following areas:

- Progress
- Ward Committees
- Deployment of community Development workers
- Intergovernmental relations
- Anti-corruption
- Traditional leadership
- Presidential and Ministerial Izimbizo
- Standard operating procedures and delegations
- Challenges experiences in good governance and public participation (indicate specific municipalities)
- Measures taken to improve performance
- Recommendations

Table 25: Functionality of Ward Committees

Municipality	2010/11		2011/12		2012/13	
	No. of functional Ward Committees	% of functional Ward Committees	No. of functional Ward Committees	% of functional Ward Committees	No. of functional Ward Committees	% of functional Ward Committees
Number and percentage:	N/A	N/A	N/A	N/A	N/A	N/A

Table 26: Total number of deployed CDW's per municipality

Municipality	2010/11		2011/12		2012/13	
	No of CDW posts approved	No of CDW's deployed to wards	No of CDW posts approved	No of CDW's deployed to wards	No of CDW posts approved	No of CDW's deployed to wards
Number:	N/A	N/A	N/A	N/A	N/A	N/A

Table 27: Good governance indicators as at June 2013

Municipality	All admin delegations adopted	S59 MSA Delegations adopted	Roles of Committees and Political Office Bearers defined	Meetings convened					Number of meetings where quorum was not achieved		Code of conduct adopted (Council & staff)	Code communicated to community	Interests of councillors and staff declared	Councillors and staff members in arrears with municipal accounts
				Council	Executive mayoral committee	Portfolio Committee	Municipal Management	IDP Representatives	Council	Executive mayoral committee				
Y/N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y		Y		258838
Date - if applicable														2012/13

Anti-corruption

Table 28: Progress on the implementation of anti-corruption strategies by municipalities

Municipality	2010/11			2011/12			2012/13		
	Anti-corruption Plan compiled	Has Council adopted the Anti-corruption Plan	Anti-corruption Plan implemented	Anti-corruption Plan compiled	Has Council adopted the Anti-corruption Plan	Anti-corruption Plan implemented	Anti-corruption Plan compiled	Has Council adopted the Anti-corruption Plan	Anti-corruption Plan implemented
Y/N:	N	N	N	Y	Y	Y	Y	Y	Y
Date:				24/03/11	24/03/11	24/03/11	24/03/11	24/03/11	24/03/11

Table 29: Mayoral Izimbizo (include any Presidential, Premier or Ministerial Imbizo held in the municipal area over the past 3 years)

Municipality	2010/11			2011/12			2012/13		
	No of Izimbizo's	Challenges	Resolutions	No of Izimbizo's	Challenges	Resolutions	No of Izimbizo's	Challenges	Resolutions
Number:	1	Service Delivery Challenges	To address the Service Delivery Challenges	1	Service Delivery Challenges	To address the Service Delivery Challenges	0	Service Delivery Challenges	To address the Service Delivery Challenges

Challenges and concerns raised at Izimbizo meetings:

- The municipality didn't organise the Mayoral Imbizo during the year under review due to cash flow challenges, it has been then budgeted accordingly and to be held during 2013/14 financial year.

Resolutions taken:

- Since the municipality didn't organise the Mayoral Imbizo during the year under review due to cash flow challenges, the finalisation of the resolutions is then not applicable.

5.1 MUNICIPALITY EVENTS

Name of Event	Date of the Event	Venue of the Event	Achievements of the event
Mayoral Imbizo	The municipality didn't organise the Mayoral Imbizo during the year under review due to cash flow challenges		
District Cultural Event	01 September 2012	Enyokeni Royal Palace	Restore culture and virginity and awareness campaigns
Rural Horse Riding	23 July 2012	Dundee Sports and Recreation Grounds	LED boost and recreational activities
World Aids Day	01 December 2012	Umvoti Local Municipality	Awareness Campaigns
Kwanaloga Games	December 2012	Uthukela District Municipality	Talent sports development

5.2 CHALLENGES

- Review and effective implementation of the community strategy and policy;
- Effective communication of the municipal programmes and projects;
- Effective alignment of programmes and projects with other sector departments; and
- Effective implementation of the municipal policies.

5.3 MEASURES TAKEN TO IMPROVE PERFORMANCE

- Monthly Mayoral slots on Ukhozi FM to communicate municipal programmes and projects;
- Review of the Communication Strategy;
- Preparation of the Communication Policy;
- Preparation of the quarterly Newsletter; and
- Annual review of the municipal policies.

5.4 RECOMMENDATIONS

- Continuous implementation of the Monthly Mayoral slots on Ukhozi FM to communicate municipal programmes and projects;
- Review and effective implementation of the Communication Strategy;
- Preparation and effective implementation of the Communication Policy; and
- Annual review of the municipal policies.

6. Cross Cutting Interventions

Disaster management

- Progress in the implementation of Disaster Management Act;
- Challenges experienced in the implementation of the disaster management;
- Support by Provincial Departments of Local Government and the COGTA; and
- Impact of support by stakeholders.

Realigned municipalities

- Municipalities affected in realignment per province;
- Progress of the re-alignment;
- Challenges experienced in the implementation of the re-alignment process;
- Support by Provincial Departments of Local Government and the COGTA; and
- Impact of support by stakeholders.

Urban and Rural nodes

- Challenges experienced in the urban and rural nodes;
- Progress in the implementation of urban and rural nodes;
- Challenges experienced in the implementation of the urban and rural node;
- Support by Provincial Departments of Local Government and the COGTA; and
- Impact of support by stakeholders.

Table 30: Development, submission and implementation rate of SDF's

Municipality	2010/11			2011/12			2012/13			Reasons
	SDFs approved	SDFs submitted	SDFs Implemented	SDFs approved	SDFs submitted	SDFs Implemented	SDFs approved	SDFs submitted	SDFs Implemented	
Umzinyathi	Yes as part of the IDP	Yes	Yes	Yes as part of the IDP	Yes	Yes as part of the IDP	Yes	Yes	Yes	
Endumeni	Yes as part of the IDP	Yes	Yes	Yes as part of the IDP	Ye	Yes as part of the IDP	Yes	Yes	Yes	
Nquthu	Yes as part of the IDP	Yes	Yes	Yes as part of the IDP	Ye	Yes as part of the IDP	Yes	Yes	Yes	
Msinga	NO	No	No	No	No	NO	No	No	No	
Umvoti	Yes as part of the IDP	Yes	Yes	Yes as part of the IDP	Yes	Yes as part of the IDP	Yes	Yes	Yes	

6.1 SDFs: CHALLENGES

Challenges identified within parameters of the Spatial Development Framework vary from each municipality to another within the district. Due to the financial challenges, the review of the Spatial Development Framework is not being undertaken timeously. It is for this reason that funding for the review process is being out sourced externally. Msinga Municipality was assisted by the Department of Rural Development and Land Reform, through the appointment of Vuka Africa to undertake the exercise on behalf of the municipality. The challenges identified within SDF's are not major, hence they have been mitigated through various efforts.

6.2 SDFs: INTERVENTIONS

The Department of Rural Development and Land Reform funded the development process for Msinga Municipality Spatial Development Framework with Precinct Plan for Pomeroy and Keate's Drift area. Umvoti Municipality is also undertaking the compilation of the Local Area Plans (Precinct Plans) for Kranskop and Woolstone. The urban design framework and the Town Planning Scheme for Nquthu Town have been completed.

STAT SA has also released the latest 2011 figures which would assist the municipalities in undertaking detail spatial analysis with the demographic trends. Umvoti Municipality has also appointed a service provider to assist with the review of the Spatial Development Framework, to provide a spatial representation of the IDP.

6.3 SDFs: RECOMMENDATIONS

Most of the mitigation strategies to minimise the risks on areas highlighted by the MEC as non-compliant have been addressed. At this juncture, monitoring of the SDF project by various municipalities is important. These SDF's are being undertaken within the parameters of the District SDF which was approved earlier this year.

Table 31: State of readiness on National Disaster implementation per Municipality (Y/N and Date)

2010/11				2011/12				2012/13			
Functional disaster management centre	Disaster Management Head/ Manager appointed	Disaster management forums established	disaster management plan or framework in place	Functional disaster management centre	Disaster Management Head/ Manager appointed	Disaster management forums established	disaster management plan or framework in place	Functional disaster management centre	Disaster Management Head/ Manager appointed	Disaster management forums established	disaster management plan or framework in place
Y	Yes, In compliance with section 43 of the Disaster Management Act No. 57 of 2002 (DM Act) and sections 1.2.2.2 and 1.2.5 of the National Disaster Management Framework (NDMF)	Yes, In compliance with section 45 of the Disaster Management Act 2002 Act 57. and applicable provisions of the Local Government: Municipal Systems Act No. 32 of 2000	Yes, In compliance with section 51 of the Disaster Management Act No. 57 of 2002 (DM Act)	Yes, in compliance of Section 42 of the Disaster Management Act No. 57 of 2002 (DM Act)	Yes, In compliance with section 43 of the Disaster Management Act No. 57 of 2002 (DM Act) and sections 1.2.2.2 and 1.2.5 of the National Disaster Management Framework (NDMF)	Yes, In compliance with section 45 of the Disaster Management Act 2002 Act 57. and applicable provisions of the Local Government: Municipal Systems Act No. 32 of 2000	Yes, In compliance with section 51 of the Disaster Management Act No. 57 of 2002 (DM Act)	Yes, in compliance of Section 42 of the Disaster Management Act No. 57 of 2002 (DM Act)	Yes, In compliance with section 43 of the Disaster Management Act No. 57 of 2002 (DM Act) and sections 1.2.2.2 and 1.2.5 of the National Disaster Management Framework (NDMF)	Yes, In compliance with section 45 of the Disaster Management Act 2002 Act 57. and applicable provisions of the Local Government: Municipal Systems Act No. 32 of 2000	Yes, In compliance with section 51 of the Disaster Management Act No. 57 of 2002 (DM Act)

Date	Since August 2003	M.C.Hadebe since 2007	Since 2004	DPF adopted in 2007 And DDMP adopted in 2009	Since August 2003	M.C.Hadebe since 2007	Since 2004	DPF adopted in 2007 And DDMP adopted in 2009	Since August 2004	M.C.Hadebe since 2007	Since 2004
------	-------------------	-----------------------	------------	---	-------------------	-----------------------	------------	---	-------------------	-----------------------	------------

6.4 DISASTER MANAGEMENT CHALLENGES

The poor attendance of the role-players in the following district forums:

- Municipal District Disaster Risk Management Advisory Forum
- Disaster and Fire Coordinating Committee Forum and lack of support from local municipalities
- Some local municipalities are not co-operating
- The Umzinyathi District Municipality is like many other District in the Province is prone and affected by variety of hazards that are causing disasters. The majority of disaster incidents that occurs in the District are weather and fire related and they are possibly aggravated by the influence of climate change.
- The District witnessed an increase of number of incidents during the 2012-13 financial year of which some of them led to displacement of communities, destruction of property, fatalities and injuries.

6.5 DISASTER MANAGEMENT INTERVENTIONS

In terms of section 58(1) of the Disaster Management Act No. 57 of 2002, Chapter 7 says a District Municipality may establish a unit of volunteers to participate in disaster management in the municipality.

Umzinyathi District Municipality Volunteers Unit was established in in order to build the capacity of both district and local municipalities, Volunteers are based on the local municipality fire stations; they are being monitored on the weekly basis on the following:

- Risk Reduction and Preparedness
- Response and Recovery
- Public Awareness
- Fire Service
- The District identified the veld fire risk areas and installed the fire breaks to minimise the high risk of veld fires.

6.6 DISASTER MANAGEMENT RECOMMENDATIONS

The efficiency of the Disaster Management Centre is able to perform its functions and will depend on the ability to fast track decision making and minimize red tape. In order to fulfill this performance, the Disaster Management Centre is seen as a Line Function or an Emergency Service of the local municipalities and this challenge needs to be addressed by the National Disaster Management Centre.

Chapter 4: Organizational Development Performance

4.1 INTRODUCTION TO THE MUNICIPAL WORKFORCE

The municipality approved the 2012/13 organizational structure which was aligned to the IDP in order to improve its operational capacity. The revised structure contributed positively to the organization in terms of service delivery. During the year under review, the municipality had a staff complement of 110 as opposed to 99 employees during 2011/12 financial year, which indicates that the municipality is strengthening its capacity in order fulfil its developmental mandate. The approved structure of the municipality had 166 posts of which 56 were currently vacant but will be filled as and when the need arises. However, the organizational structure of the municipality is currently being reviewed to enable the municipality to effectively deliver on its developmental mandate.

4.2 OCCUPATION AND GENDER EQUITY ANALYSIS

An analysis of the staff by gender and occupation has been undertaken. The analysis applies to the staff distribution excluding the new posts to be filled since gender and employment equity needed to be considered in relation to the potential candidates for the new positions.

The distribution of staff by occupation, group and gender is shown below:

Occupational Levels	Male				Female				Total
	A	C	I	W	A	C	I	W	
Top Management	03				01				05
Middle Management	13				03			01	17
Supervisor and Skilled Technical	16	01			16		01		34
Semi skilled	03			01	23		01	01	29
Elementary Occupation	16				09				25
Grand Total	51	01		01	52		02	02	110

The breakdown in terms of salaries paid to staff members during the year under review is as follows:

2012/13 Operating Budget	Budget for Salaries	Amount spent on staff salaries	% salaries of operating budget
257,192,756.00	48,101,223.00	47,143,278.00	18.7

4.3 EMPLOYMENT EQUITY PLAN

In accordance with the Employment Equity Act (No 55 of 1998), the municipality reviewed and implemented the 2012/13 Employment Equity Plan as required by the Employment Equity Act. The plan seeks to address the numerical goals in the terms of demographics within the municipality. The municipality managed to achieve its numerical goals of employing one female in top management, five females in middle management positions and also one disabled person in elementary occupation level. In total, the municipality appointed fifty two new employees during the year under review. The municipality has set new numerical goals to be achieved during 2013/14 financial year in order to strengthen its capacity.

4.4 WORKPLACE SKILLS PLAN

In accordance with the Skills Development Act and skills Levy Act, municipalities have to prepare and review the Workplace Skills Development Plan. During 2012/13, the municipality reviewed and implemented the Workplace Skills Development Plan as required by the said Act. The plan seeks to address employee's skills development, scarce skills and also skills audit of the municipality.

The municipality is registered with the Local Government Sector Education and Training Authority (LGSETA), and skills development relating to all levels of employees functions have been undertaken and integrated into the plan. During the year under review, sixty three employees were trained on various skills development as part of the Workplace Skills Plan. Skills audit has been undertaken to determine the employees training needs for 2013/14 financial year, and these training needs have form part of the Workplace Skills Plan. The municipality is committed in training and developing its employees thereby improving productivity levels. To this end, an amount of R 344 690.00 was spent on both academic and functional development of staff and councilors.

Chapter 5: Auditor General Findings

5.1 REPORT OF THE AUDITOR-GENERAL TO THE KWAZULU-NATAL PROVINCIAL LEGISLATURE AND COUNCIL ON UMZINYATHI DISTRICT MUNICIPALITY

REPORT OF THE AUDITOR-GENERAL TO THE KWAZULU-NATAL PROVINCIAL LEGISLATURE AND COUNCIL ON UMZINYATHI DISTRICT MUNICIPALITY

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the financial statements of the Umzinyathi District Municipality set out on pages xx to xx, which comprise, the statement of financial position as at 30 June 2013, the statement of financial performance, statement of changes in net assets and the cash flow statement for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2012 (Act No. 5 of 2012) (DoRA), and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-general's responsibility

3. My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the general notice issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the municipality's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Umzinyathi District Municipality as at 30 June 2013, and its financial performance and cash flows for the year then ended in accordance with the SA Standards of GRAP and the requirements of the MFMA and DoRA.

Emphasis of matters

7. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Going concern

8. As disclosed in note 36 to the financial statements, the municipality has experienced a significant loss of revenue due to water losses, a high rate of non-payment of debtors and has a high reliance on grants. This is coupled with a deterioration in payment period of suppliers/creditors. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the municipality's ability to operate as a going concern in the foreseeable future.

Irregular expenditure

9. As disclosed in note 32 to the financial statements, the municipality has incurred irregular expenditure of R12,70 million, as a consequence of not complying with Municipal Supply Chain Management Regulations (MSCMR).

Material losses and impairments

10. As disclosed in note 40 to the financial statements, the municipality incurred water losses of 55,95% amounting to R38,76 million (7,74 million kilolitres).
11. As disclosed in note 4 to the financial statements, a provision for debt impairment of R100,47 million was raised on consumer debtors.

Additional matter

12. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Unaudited supplementary schedules

13. The supplementary information set out on pages xx to xx do not form part of the financial statements and is presented as additional information. I have not audited these schedules, and accordingly I do not express an opinion thereon.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

14. In accordance with the PAA and the general notice issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

Predetermined objectives

15. I performed procedures to obtain evidence about the usefulness and reliability of the information in the annual performance report as set out on pages xx to xx of the annual report.
16. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury's annual reporting principles and whether the reported performance is consistent with the planned development objectives. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the *National Treasury Framework for Managing Programme Performance Information* (MPPI).

The reliability of the information in respect of the selected programmes is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).

17. There were no material findings on the annual performance report concerning the usefulness and reliability of the information.

Additional matter

18. Although no material findings concerning the usefulness and reliability of the performance information was identified in the annual performance report, I draw attention to the following matter below.

Planned targets not achieved

19. Of the total number of 2 338 targets planned for the year under review on eradication of the water supply backlog development objective, 2 122 targets were not achieved under the review. This represents 91% of total planned targets that were not achieved for the year. This was as a result of delays in the approval of funding and poor performance of the contractor working on the water projects. There were also material delays in the construction of the water infrastructure assets therefore the planned targets for the eradication of water supply backlogs were not achieved.

Compliance with laws and regulations

20. I performed procedures to obtain evidence that the municipality has complied with applicable laws and regulations regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key applicable laws and regulations as set out in the general notice issued in terms of the PAA are as follows:

Annual financial statements

21. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements of expenditure and disclosure items identified by the auditors in the submitted financial statement were subsequently corrected and the supporting records provided, resulting in the financial statements receiving a financially unqualified audit opinion.

Expenditure management

22. Money owing by the municipality was not always paid within 30 days or an agreed period, as required by section 65(2)(e) of the MFMA.
23. Reasonable steps were not taken to prevent irregular expenditure, as required by section 62(1)(d) of the MFMA.

Internal control

24. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with laws and regulations. The matters reported below under the fundamentals of internal control are limited to the significant deficiencies that resulted in the findings on the performance report and the findings on compliance with laws and regulations included in this report.

Financial and performance management

25. Management did not implement effective controls over the preparation, review and reconciliation of financial records as well as the reporting of performance against predetermined objectives. This is evidenced by the material corrections to the financial statements, non-compliance with relevant laws and regulations as well as non-achievement of planned targets.

Auditor - General

Pietermaritzburg

29 November 2013



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

5.2 2012/13 ACTION PLAN TO ADDRESS THE AUDIT QUERIES

AR Para. No.	REPORT FINDING	PROPOSED ACTION TO BE IMPLEMENTED	RESPONSIBLE PERSON	TARGET DATE	PROGRESS AT 28/2/2014	PROGRESS AT 30/4/2014	PROGRESS AT 30/5/2014
MATTERS AFFECTING THE AUDIT REPORT							
1	Non Compliance with Section 32 of Supply Chain Regulations- In appointing Protea Consulting, As stated in section 32, one of the requirements is that there should be demonstrable discounts or benefits for the municipality to procure the consultant. There was no evidence that demonstrated discounts or benefits existed when the consultant was procured.	The municipality will ensure that all goods or services procured in terms of section 32 of the supply chain regulations meet all the requirements stipulated in the regulations prior finalisation of the contract.	Chief Financial Officer	30-Jan-14			
2	Non Compliance with Section 37 of Municipal Supply Management Regulation- In appointment of consultant to provide primary health care. There was no evidence that paragraphs (2) to (9) of section 37 of the supply chain regulations was complied with and if the municipality is unable to provide this evidence then the expenditure of R10 244 728 incurred, for the use of this consultant/ service provider, will be deemed to be irregular.	The municipality will ensure that all goods or services procured in terms of section 37 of the supply chain regulations meet all the requirements stipulated prior finaliation of the contract. Section 32 of MFMA will be implemented.	Chief Financial Officer	30-Jan-14			
3	Difference in Recorded Amounts- Differences were found in recorded amounts therefore effective internal processes were not in place for managing the financial administration of the municipality	The management will ensure that reconciliations on ledger balances and control votes are prepared on a monthly basis.	Chief Financial Officer	Ongoing			
4	Contingent Liability Incorrectly disclosed- During the audit, it was found that contingent liability between Umzinyathi and Endumeni municipality was disclosed as R17 068 623.59 instead of R15 997 119.61 as confirmed from Gobodo report dated July 2011 resulting to a difference of R1 071 504.00.	A meeting to resolve this matter will be scheduled between two municipalities	Chief Financial Officer	30-Mar-14			
5	Creditors not paid within 30 days- MFMA section 65(2) (e) states that: "all money owing by the municipality be paid within 30 days of receiving the relevant invoice or statement, unless prescribed otherwise for certain categories of expenditure".	Management will ensure that adequate revenue is available to meet commitments and that all creditors are paid within 30 days as stipulated in the legislation and any foreseeable challenges will be reported accordingly.	Chief Financial Officer	30-Jan-14			
6	Audit of Predetermined Objectives- Section 46(1) of the Municipal Systems Act 32 of 2000 states that "A municipality must prepare for each financial year a performance report reflecting— a) the performance of the municipality and of each external service provider during that financial year;Planned targets not achieved Of the total number of 2338 targets planned for the year on eradication of the water supply backlog development objective, 2122 of targets were not achieved during the year under review. This represents 91% of total planned targets that were not achieved during the year under review. The municipality has reported that non-achievement was due to financial constraints.	Management will ensure that annual performance report includes performance of external service providers in compliance with paragraph 46 of the Municipal Systems Act 32 of 2000.	ALL HEAD OF DEPARTMENTS	30-Jan-14			
7	Water Loss not disclosed on Financial Statements- During the audit, it was found that the municipality incurred significant water loss of 55.95% that was not disclosed on the financial statements.	Management will ensure that financial statements are properly reviewed prior submission to Auditor-General to confirm compliance with the prescribed framework	Chief Financial Officer	15-Aug-14			

OTHER IMPORTANT MATTERS - TO BE ATTENDED TO (HOUSEKEEPING ISSUES)				
8	Amounts in General Ledger do not agree with the financial statements	The management will ensure that reconciliations on ledger balances and control votes are prepared on a monthly basis.	Chief Financial Officer	30-Jan-14
	No policy/ Strategy in place for the use of consultants -The municipality did not have a policy/ strategy in place to govern the use of consultants. The municipality currently has a Supply Chain Management Policy (SCM) however this policy did not address the following which: <ul style="list-style-type: none"> • define the main purpose for using consultants and • included measures to prevent the reliance on consultants. 	A strategy/ policy will be developed for the use of consultants and will cover the following . 1. adequate controls in place to regulate the use of consultants. 2. vacancies are filled timeously to prevent the reliance and limit the use on consultants. 3. a skill transfer plan is in place to transfer skills from consultants to the employees of the municipality	Head of Departments	Mar-14
9	Employees of the municipality involved in contracts with state entities, other than the municipality	Declaration form will be developed and Human resources will also conduct awareness to staff	HOD - Cooperate services	01-Feb-14
	Suppliers in service of State - In terms of MSCM regulation 44: "The supply chain management policy of a municipality or municipal entity must, irrespective of the procurement process followed, state that the municipality or municipal entity may not make an award to a person- a) who is in the service of the state b) If that person is not a natural person, of which any director, manager, principal shareholder or stakeholder is a person in the service of the state; or c) who is an advisor or consultant contracted with the municipality or municipal entity."	Management will ensure that suppliers fill-in declaration of interest form in respect of written quotations or bids . We will seek advise from Provincial treasury on this matter.	Chief Financial Officer	Feb-14
11				
12	Consulting fees transactions incorrectly classified as salaries and wages	The management will ensure that reconciliations on ledger balances and control votes are prepared on a monthly basis.	Chief Financial Officer	01-Dec-13
	VAT account incorrectly credited -During the audit, it was identified that when the consumer debtor balances were transferred from uThukela Water (Pty) Ltd the vat control account was incorrectly credited with an amount of R96 198,90. The VAT liability would have already been declared by uThukela Water (Pty) Ltd when the consumer debtor was raised therefore the municipality is not liable to SARS for this VAT amount.	The management will ensure that reconciliations on ledger balances and control votes are prepared on a monthly basis.	Chief Financial Officer	01-Dec-13
13				
		The management will ensure that reconciliations on ledger balances and control votes are prepared on a monthly basis.	Chief Financial Officer	01-Dec-13
14	Asset useful life not consistently applied - During the audit, asset useful life was not consistently applied		Chief Financial Officer	01-Dec-13
		The management will ensure that reconciliations on ledger balances and control votes are prepared on a monthly basis.	Chief Financial Officer	01-Dec-13
15	Computer transactions incorrectly classified as repairs and maintenance		Chief Financial Officer	01-Dec-13

16	LACK OF INFORMATION TECHNOLOGY (IT) STEERING COMMITTEE	IT steering committee will be formed and their terms of reference will be formulated.	HOD - Cooperate services	March 2014
17	LACK OF MONITORING OF VENDOR'S PERFORMANCE	Monitoring of service providers performance will be undertaken through regular review of performance reports as well as holding service provider performance review meetings at scheduled times to ensure achievement of agreed upon service levels.	HOD - Cooperate services	Feb-14
18	INFORMATION TECHNOLOGY SECURITY OFFICER'S DUTIES NOT DELEGATED	Identified duties of IT security officers will be prepared and approved by Accounting Officer.	HOD - Cooperate services	Feb-14
19	INADEQUATE PATCH MANAGEMENT PROCEDURE	Adequate patch management processes and procedures will be documented, reviewed, approved and implemented.	HOD - Cooperate services	Feb-14
20	LACK OF USER ACCOUNTS MANAGEMENT PROCEDURE	Management will ensure that user account management procedure or policy are approved, implemented and communicated to users once it has been finalized	HOD - Cooperate services	Feb-14
21	LACK OF FORMALLY ESTABLISHED CHANGE CONTROL POLICY	Management will consider the following measures: • Establish a change control policy that includes governance structures, documentation procedure and approval of change. • The management of the municipality should review the adequacy of the policies and procedures as a matter of urgency and should then formally approve these documents, if it is found to be adequate. The IT policies and procedures should then be formally communicated to all role players and implemented. • Source documentation should be established for all changes to be implemented, indicating reason for change	HOD - Cooperate services	Feb-14
22	LACK OF SERVER ROOM VISITORS REGISTER	Management will put in place visitor's attendance register for all personnel who visit server room, including third party's visits.	HOD - Cooperate services	Feb-14
23	LACK OF DISASTER RECOVERY PLAN (DRP) AND BUSINESS CONTINUITY PLAN	Management will consider the following measures: Review the adequacy of the DRP and should then formally approve these documents, if it is found to be adequate. The DRP/BCP and procedures should then be formally communicated to all role players and implemented.	HOD - Cooperate services	Feb-14
24	INADEQUATE BACKUP MANAGEMENT	• Management will develop, formalise and implement a backup process/procedure. • Management will also ensure backup logs are reviewed periodically to verify that all backups are done and completed successfully	HOD - Cooperate services	Feb-14

Chapter 6: Improvement Performance Measures

Table 32: Other Highlights of Municipal Performance by Key Performance Area

Municipality	Focus Area	<u>Highlights</u>
	KPA 1: Municipal Transformation and Organisational Development	<ul style="list-style-type: none"> • Effective implementation of policies to strengthen and also to effective operational arrangements for the municipality; and • Provision of reasonable budget to enable effective implementation of the policies;
	KPA 2: Basic Service Delivery	<ul style="list-style-type: none"> • More households to benefit from new water house connections which have been planned for in advance thereby ensuring the acceleration of service delivery; • The challenge of payments has been escalated with the Department of Water Affairs; and • MCJ Engineers, has been appointed by MISA, and they have tasked to develop a tracking system which will assist in the reconciliation of invoices and the tracking of household beneficiaries.
	KPA 3: Local Economic Development	<ul style="list-style-type: none"> • The Municipality has in the past presented plans and an intention to establish an Economic Development Agency which would serves as a special purpose vehicle to drive LED in the District, however funding and technical expertise required for setting up the entity were not available. It is envisaged that the agency would take over the function

Municipality	Focus Area	Highlights
		<p>of identifying and exploring catalytic interventions, package proposals, leverage funding, marketing the District and facilitating strategic linkages and partnerships for economic development. SALGA and COGTA are currently championing the drive to establish District economic development agencies and Umzinyathi has been part of the processes thus far; and</p> <ul style="list-style-type: none"> • The Municipality has an annual allocation for LED programmes/ projects however there is a need to identify external sources of funding in order to supplement the internal budget, hence proposal have been submitted to COGTA for funding of some projects under the Corridor Development programme.
	KPA 4: Municipal Financial Viability and Management	<ul style="list-style-type: none"> • Cash flow forecast prepared and cost cutting measures have been implemented; and • Credit control policies implemented.
	KPA 5: Good Governance and Public Participation	<ul style="list-style-type: none"> • Monthly Mayoral slots on Ukhozi FM to communicate municipal programmes and projects; • Review of the Communication Strategy; • Preparation of the Communication Policy; • Preparation of the quarterly Newsletter; and • Annual review of the municipal

Municipality	Focus Area	Highlights
	Cross Cutting Intervention	<p>policies.</p> <ul style="list-style-type: none"> • The Department of Rural Development and Land Reform funded the development process for Msinga Municipality Spatial Development Framework with Precinct Plan for Pomeroy and Keate's Drift area; • Umvoti Municipality is also undertaking the compilation of the Local Area Plans (Precinct Plans) for Kranskop and Woolstone. The urban design framework and the Town Planning Scheme for Nquthu Town have been completed; • STAT SA has also released the latest 2011 figures which would assist the municipalities in undertaking detail spatial analysis with the demographic trends; • Umvoti Municipality has also appointed a service provider to assist with the review of the Spatial Development Framework, to provide a spatial representation of the IDP; • In terms of section 58(1) of the Disaster Management Act No. 57 of 2002, Chapter 7 says a District Municipality may establish a unit of volunteers to participate in disaster management in the municipality; • Umzinyathi District Municipality Volunteers Unit was established in order to build the capacity of both district and local

Municipality	Focus Area	Highlights
		<p>municipalities, and</p> <ul style="list-style-type: none"> • Volunteers are based on the local municipality fire stations; they are being monitored on the weekly basis on the following: <ul style="list-style-type: none"> ○ Risk Reduction and Preparedness; ○ Response and Recovery; ○ Public Awareness; ○ Fire Services; and ○ The District identified the veld fire risk areas and installed the fire breaks to minimise the high risk of veld fires

Table 33: Areas of under-performance per Key Performance Area

Municipality	Focus Area	Under-performance
	KPA 1: Municipal Transformation and Organisational Development	<ul style="list-style-type: none"> • Specialist person be sourced to workshop councillors and staff on the impact of policies in the organisation; and • Funding for training and development of councillors and staff needs to be prioritised and aligned.
	KPA 2: Basic Service Delivery	<ul style="list-style-type: none"> • More households to benefit from new water house connections have been planned for in advance through the Municipal Water Infrastructure Grant.(MWIG); and • MCJ Engineers, has been appointed by MISA, and they have tasked to develop a tracking system which will

Municipality	Focus Area	<u>Under-performance</u>
		assist in the reconciliation of invoices and the tracking of household beneficiaries.
	KPA 3: Local Economic Development	<ul style="list-style-type: none"> • The establishment of an economic development agency needs to be given priority; and • This initiative has been included in the recently reviewed District LED strategy as it is deemed to be one of the catalytic interventions which will assist in addressing challenges related to capacity at a District and Local Municipalities level as well as serve to market the District for public and private investment and leverage funding for the implementation of economic development programmes.
	KPA 4: Municipal Financial Viability and Management	<ul style="list-style-type: none"> • Sourcing of external funding to eradicate backlogs; and • Improve internal revenue collections.
	KPA 5: Good Governance and Public Participation	<ul style="list-style-type: none"> • Continuous implementation of the Monthly Mayoral slots on Ukhozi FM to communicate municipal programmes and projects; • Review and effective implementation of the Communication Strategy; • Preparation and effective implementation of the Communication Policy; and • Annual review of the municipal policies.

Municipality	Focus Area	<u>Under-performance</u>
	Cross Cutting Intervention	<ul style="list-style-type: none"> • Most of the mitigation strategies to minimise the risks on areas highlighted by the MEC as non-compliant have been addressed; • At this juncture, monitoring of the SDF project by various municipalities is important. These SDF's are being undertaken within the parameters of the District SDF which was approved earlier this year; • The efficiency of the Disaster Management Centre is able to perform its functions and will depend on the ability to fast track decision making and minimize red tape; and • In order to fulfill this performance, the Disaster Management Centre is seen as a Line Function or an Emergency Service of the local municipalities and this challenge needs to be addressed by the National Disaster Management Centre.

Chapter 7: Service Providers Performance

During 2012/13 financial year, Umzinyathi District Municipality had six (6) external service providers which were contracted to the municipality to provide a range of services. In terms of Section 46 (1) (a) of the Municipal Systems Act, 2000, the municipality has to provide performance details of the external service providers contracted during the year under review and the performance assessment of these service providers is as follows:

7.1 UThukela Water Services

Umzinyathi District Municipality is a Water Services Authority (WSA), and is under a legal obligation in terms of Section 12 of the Water Services Act of 1997. Umzinyathi District Municipality together with Amajuba District Municipality and Newcastle Local Municipality have a shared municipal entity known as Uthukela Water (Pty) LTD which is responsible to undertake the provision of water services in the region.

In December 2007, the MEC for the Department of Co-operative Governance and Traditional Affairs intervened in the operations of the municipal entity through the application of Section 139 (1) (b) of the Constitution. Since then the municipal entity reports to the MEC, and the municipality performs a supporting role to the municipal entity.

In view of the entity's inability to effectively render sustainable water services, the municipality took over the operations of some of the schemes namely, Makhabeleni, Hemmarnsburg, Muden and Ndindindi (phase 2 and 3), where it felt that the effects of the incapacity of the entity were severe. During 2009/10, the Department of Co-operative Governance and Traditional Affairs commenced with a process of undertaking Section 78 assessment for an effective rendering of water services, and this process was completed during 2010/11 financial year.

The outcome of Section 78 recommended that Umzinyathi District Municipality must take over the reticulation function of the water services from the 01 July 2012, and Uthukela Water as the Water Service Provider must continue to provide the bulk service of the water function. As from the 01 July 2012, the municipality took over the water reticulation and retail function from Uthukela Water. The basis of this is to ensure improved service delivery and improved revenue collection. The long term strategy for the municipality, is the take over of all bulk water and sanitation schemes within the municipal jurisdiction, and where cross boarder schemes is the source of supply, the municipality would enter into service level

agreement with the supplying Water Services Authority or receiving Water Services Authority.

7.2 Rural Metro Services

During 2008/09 financial year, the municipality renewed the contract with Rural Metro for the next five (5) years. Rural Metro deals with disaster management functions and other responsibilities which include fire fighting, managing the communication system to report disasters and also operations. During the year under review, the municipality was satisfied with the level of dedication and commitment shown by the service provider in dealing with fire services management issues, as the service provider managed to meet the targets which were set during the beginning of the financial year. The contract for Rural Metro expired as at the end of June 2013.

7.3 District Information Management System – Intermap

The municipality entered into the Service Level Agreement with Intermap to assist the municipality with reviving the implementation and functionality of District Information Management System (DIMS). Information technology and systems have become a significant part of every organisation's day to day operations and is viewed as a critical resource, hence the municipality revived the implementation and functionality of DIMS.

Intermap's responsibilities included taking care of institutional arrangements, performance management, administration, human resources, procurement, integrated development planning, project management, finance and office and data adaptors. Intermap also provided IT support on web hosting and managing the municipal IT system.

7.4 Mun Soft

The municipality had a contract with Mun Soft financial system and their responsibilities included, amongst others, provision of financial management and administration software. The municipality was satisfied with the level of dedication and commitment by the service provider in providing the service, especially with the integrating the VIP Payroll and Sebata (financial systems).

7.5 Beak Security Services

The municipality was satisfied with the service rendered by the service provider during the year under review. The contract for Beak Security Services expired during the year under review.

7.6 Xerox services

The municipality had a contract with Xerox. The responsibilities of Xerox included, amongst others, leasing printing machines to Council, maintenance of photocopying machines and also attended to urgent municipal queries as and when needed. The municipality was satisfied with the level of dedication and commitment shown by the service provider in providing the service.

Chapter 8: Report of the Oversight Committee

Chapter 09: Conclusion

During the financial year 2012/13, the municipality managed to deliver on its development mandate of improving the quality of life and providing quality service to its community, in spite of operating in an environment with challenges with the major one being financial constraints and escalating service delivery costs. The municipality managed to improve access to clean water and providing quality sanitation facilities by providing water to 216 households and sanitation to 5348 households.

The municipality managed to exceed achieving its target through the expenditure of MIG to the amount of R 196 447 000.00, and 390 jobs were also created through the implementation of the Expanded of Public Works Programme through the implementation of the infrastructure projects. Communities were trained and skilled in plumbing, bricklaying, concrete works, pipe laying, steel fixing and elementary project management. In terms of sanitation, communities were trained and skilled bricklaying and panel laying.

The municipality also effectively managed to implement various economic development programmes which amongst others is the Construction Incubation Programme. The achievements of the programme was that twenty six contractors completed all Construction SETA unit standards which formed part of the training programme. Ten contractors have successfully moved up on the CIDB register. One contractor is now on grade six. Thirteen contractors have projects in the pipeline which will advance them on the CIDB register once completed. These contractors qualify to exit the programme however they will continue to receive technical support and mentorship until they complete the projects.

APPENDIX A

2012/13 ANNUAL PERFORMANCE REPORT

UMZINYATHI DISTRICT MUNICIPALITY
2012_13 ANNUAL ORGANISATIONAL PERFORMANCE REPORT

National Key Performance Area	Outcome 9	Municipal Key Performance Area	Objective	Key Performance Indicator	2011/12 Baseline	2012/13 Annual Performance Target	2012/13 Actual Performance	Variance between the Target and Actual Performance	Corrective Measures to Improve Performance	2013/14 Performance Target	Responsible Dept
			To ensure and improve public participation process	Progress made regarding the review of the communication policy	Communication policy couldnt be reviewed due to financial constraints	Communication policy reviewed by 30 June 2013	Completed but hasn't been adopted by Council.	Delays were experienced during the preparation process of the by GCIS hence it was not adopted by Council in June 2013	Delays were experienced during the preparation process of the communication policy by GCIS hence it was not adopted by Council in June 2013, but the draft policy is in place. Policy to be adopted by Council by March 2014	Policy to be adopted by Council by March 2014	Office of the Mayor
				No of suggestions received and attended to	No suggestions were received or attended to during the year under review	100% of suggestions received and attended to annually	No suggestions were received			100% of suggestions received and attended to annually	Office of the Mayor
			To maintain the corporate image of the institution	No of News letters produced per year		1	4	1	Not achieved, due to the budget adjustment of the original budget for the project.	4	Office of the Mayor
			To exhibit activities / programmes and projects undertaken by the municipality	Number of exhibitions undertaken		1	1	0	Not achieved, due to the budget adjustment of the original budget for the project.	1	Office of the Mayor
			To ensure improved community participation	Number of complains, queries and request registered from the community and attended to	100% of the complains, queries and request received from the community were attended to by 30 June 2012	100% of the complains queries and request attended to by 30 June 2013	Achieved.	29 complaints on Services delivery were reported through the presedential hotline within the month of June 2013, and they were from Nquthu		100% of the complains, queries and request attended to by 30 June 2014	Office of the Mayor

UMZINYATHI DISTRICT MUNICIPALITY
2012_13 ANNUAL ORGANISATIONAL PERFORMANCE REPORT

Good Governance and Public Participation	Deepen Democracy through A Refined Ward Committee System	Public Participation		Progress made with participation in plans and programmes of the municipality and other sphere of government impacting on ward development and monitoring	2	Two meetings held by 30 June 2013, regarding participation in plans and programmes of the municipality and other sphere of government impacting on ward development and monitoring	Achieved			Two meetings held by 30 June 2014, regarding participation in plans and programmes of the municipality and other sphere of government impacting on ward development and monitoring	Office of the Municipal Manager
		Policies	To review the operational policies of the municipality	Progress made regarding the review of policies	There were no policies which were reviewed during the year under review as they were all still relevant and applicable	Policies reviewed to ensure that they are relevant and implementable, and adopted by Council by 30 June 2013	Achieved, Policies were reviewed and adopted by Council in March 2013			Policies reviewed to ensure that they are relevant and implementable, and adopted by Council by 30 June 2014	Corporate Services
			To eradicate the water supply backlogs	% decrease in communities without water	3172 households were provided with water by 30 June 2012	Reduction of the water backlog which will be 32% (30299 households) by 8% (2338 households), thereby improving access to communities within the RDP standards, by 30 June 2013	216 households were provided with access to water during the year under review	The target of 2338 households was not achieved due to financial constraints	of funding of the projects. • Poor performance by the contractors working on various projects which then delayed projects. • The basis for the target of water provision was also based on the R303.5 ml which was anticipated to be received from DBSA for the acceleration of service delivery, which was then only received during 2012/13 financial year, hence underperformance in terms of water provision. Target to be achieved for water during 2013/14 was determined based on the R 186 505 000 MIG	1500 households to be provided with water by 30 June 2014. Target to be achieved for water during 2013/14 was determined based on the R 186 505 000 MIG funding guaranteed to be transferred to the municipality	Technical Services
	To eradicate backlog on the provision of household sanitation	% of communities without sanitation facilities	6115 households were provided with sanitation facilities by 30 June 2012	Reduction of the sanitation backlog which will be 15% (13912 households) by 27% (3800 households), thereby improving access to communities within the RDP standards, by 30 June 2013	Achieved,	The municipality managed to provide 5348 households with sanitation facilities		3470 households to be provided with access to sanitation facilities	Technical Services		
	To review the Water Services Development Plan	Progress made with the review of the Water Services Development Plan	Not achieved due to budget constraints	Water Services Development Plan reviewed by 30 June 2013	Not Achieved	Not achieved, due to the budget adjustment of the original budget for the project.	Not Achieved, due to the budget adjustment of the original budget for the project. 2013/14 Budget has no budget provision for the review of the WSDP and also the Service Delivery and Budget Implementation Plan hence to be reviewed by 30 June 2015	Water Services Development Plan to be reviewed and adopted by Council by 30 June 2015	Technical Services		

			To prepare an access road study which will guide the improvement of access roads conditions	Progress made with the preparation of the access road study and their condition improvement	Access road study was not completed by 30 June 2012	Completion of the Road Asset Management System, and budget allocation for the roads to be improved and facilities provided as per the priorities by 30 June 2013	Achieved	Data collection phase of RAMS has been completed, and project is undergoing the data analysis		Undertaking of the Road Asset Management System, and budget allocation for the roads to be improved and facilities provided as per the priorities by 30 June 2014	Technical Services
			To prepare the electrification Plan which will guide the provision of electricity in the district	Progress made with the preparation of the Electrification Master Plan	Preparation of the Electrification Plan couldn't be undertaken due to budget constraints	Electrification Master Plan developed and adopted by Council by 30 June 2013	Not Achieved	Not Achieved, due to the budget adjustment of the original budget for the project.	Not Achieved, due to the budget adjustment of the original budget for the project. 2013/14 Budget has no provision for the development of the Electrification Master Plan hence the target for 30 June 2015	Electrification Master Plan developed and adopted by Council by 30 June 2015	Technical Services
			To review the Integrated Waste Management Plan	Progress made with the review and implementation of Integrated Waste Management Plan	Integrated Waste Management Plan was not reviewed as targeted due to budget constraints	Integrated Waste Management Plan reviewed and adopted by Council by 30 June 2013	Not Achieved	Not Achieved, due to the budget adjustment of the original budget for the project. 2013/14 Budget has been strictly aligned to the Service Delivery and Budget Implementation Plan to ensure achievement of targets	Not Achieved, due to the budget adjustment of the original budget for the project. 2013/14 Budget has no budget provision for the review of the Integrated Waste Management Plan and also the Service Delivery and Budget Implementation Plan hence to be reviewed by 30 June 2015	No target for 2013/14, Integrated Waste Management Plan reviewed and adopted by Council by 30 June 2015	Technical Services
			To provide safe and healthy regional land fill sites	Progress made with the development of 2 district wide regional land fill sites	Target not achieved	Two regional land fill sites developed and operational plan prepared by 30 June 2013	In progress • Southern Regional Landfill site(uMvoti). Awaiting for EIA report approval. • Northern Regional Landfill Site(Glencoe) Awaiting signing of MoA	Delays were experienced in terms of the approval of the EIA and also the signing of the MOA, hence the target was not achieved	Not Achieved, delays were experienced in terms of the approval of the EIA and also the signing of the MOA by the Department of Environmental Affairs	Progress made with the development of 2 district wide regional land fill sites by 30 June 2014.	Technical Services
			To ensure 100% expenditure of capital funded projects	Progress made with the expenditure patterns of the capital funded	100% expenditure was achieved on MIG by 30 June 2012	100% expenditure of MIG spent on projects by 30 June 2013	100% expenditure of MIG allocation to the amount of R 196 447 000.00 was spent			100% expenditure of MIG spent on projects by 30 June 2014	Technical Services
Basic Services Delivery and Infrastructure Investment	Improved Access To Basic Services	Community and Social Infrastructure	To ensure effective implementation of Expanded Public Works Programme	Progress made with the implementation of the Expanded Public Works Programme	Target achieved, The municipality obtained 500 000 and 197 000 for EPWP incentive, and it was spent on the following projects on Nsuze, savuyi and Kwamfeka	25% of the MIG projects must be allocated for Expanded Public Works Programme by 30 June 2013	Achieved	197,000.00 for EPWP was received and utilized for the application of labour intensive methods for the benefit of the local community. In total, 390 jobs were created.		25% of the MIG projects must be allocated for Expanded Public Works Programme by 30 June 2014	Technical Services
				Progress made regarding the Budget review and approval of 2013/14 financial year	2012/13 Budget was adopted by Council on the 23 May 2012	2013/14 Budget approved by Council by 31 May 2013	Achieved			2013/14 Budget approved by Council by 31 May 2014	Finance

Progress made with the drafting and adoption of an SDBIP	SDBIP was finalised and adopted by ExCo within 28 days after budget adoption	SDBIP finalised and adopted by ExCo within 28 days after budget adoption	Achieved			SDBIP finalised and adopted by ExCo within 28 days after budget adoption	Finance
Extent of compliance of section 71 of the MFMA	100% annual compliance, and twelve reports were submitted to the Mayor and Treasury	100% annually compliance by 30 June 2013	Achieved.	100% achieved, Section 71 reports completed and submitted to ExCo		100% annually compliance by 30 June 2014	Finance
% of audit undertaken in line with the annual audit programme	100% annual compliance by 30 June 2012	100% annual compliance	100% annual compliance achieved			100% annual compliance	Finance
Current debtors more than 50% of own revenue	100% of current debtors were paid within 30 days	100% of current debtors paid within 30 days	100% of debtors were paid were within 30 days			100% of current debtors paid within 30 days	Finance
% Operational expenditure expanded	100% of the operational expenditure was paid by 30 June 2012	100% of the operational expenditure paid by 30 June 2013	100% of the operational expenditure was paid by 30 June 2013			100% of the operational expenditure paid by 30 June 2014	Finance
% of the capital budget actually spent on the projects identified in the IDP	100% of the capital budget was actual spent on the projects identified in the IDP by 30 June 2012	100% of the capital budget actual spent on the projects identified in the IDP by 30 June 2013	Achieved.			100% of the capital budget actual spent on the projects identified in the IDP by 30 June 2014	Finance
Financial viability in terms of debt coverage	N/A	Ratio: Total expenditure revenue received minus operating grants divided by debt service payments by 30 June 2013	Achieved	Revenue excluding operating grants = R70 987 843, Consumer debtors = R167 246 200 0.42		Ratio: Total expenditure revenue received minus operating grants divided by debt service payments by 30 June 2014	Finance

To ensure MFMA and Budget Compliance

Municipal Financial Viability and Management	Improved Municipal Financial and Administrative Capability	MFMA Budget Office	Progress made with the review of the fraud prevention policy	Fraud prevention policy in place by the 31 July 2012	Fraud prevention policy reviewed and adopted by Council by 30 June 2013	Not Achieved	There were various policies which were being reviewed by the Governance expert which included amongst others Tariff Policy, Indigent Policy, Customer Care and Management Policy, Credit Control and Debt collection Policy, SCM Policy, Banking and Investment policy, Petty cash policy. The review of fraud and prevention policy was then re-planned for 2013/14 fy	Fraud prevention policy reviewed and adopted by Council by 30 June 2014	Finance	
			Audit report and addressing responses	Unqualified audit report of 2012/13 fy	Clean Audit report of 2012/13 fy	In progress		Unqualified audit report of 2013/14 fy	Finance	
			To pay suppliers on time	Average time taken to pay suppliers	Achieved.	30 days of the statement date	Achieved.		30 days of the statement date	Finance
			To ensure alignment of the IDP to the Budget	% alignment of budget to IDP	100% aligned 2012/13 14 IDP and Budget	100% aligned 2013/14 IDP and Budget	Achieved.		100% aligned 2014/15 IDP and Budget	Finance
			To submit monthly Budget monitoring reports to the Mayor	Number of monthly Budget monitoring reports to the Mayor	Achieved	12 monthly reports submitted to ExCo and NT annually	Achieved.	Twelve monthly budget statements reports were submitted to ExCo and NT	12 monthly reports submitted to ExCo and NT annual	Finance
			To submit 2011/12 annually financial statements to AG	Submission of 2011/12 Annual financial statements to Auditor General	Achieved	Submission of 2012/13 Annual financial statements to Auditor General	Achieved.		Submission of 2013/14 Annual financial statements to Auditor General	Finance
			To obtain an unqualified audit report	Clean audit report from the AG on 2011/12 Annual financial statements.	Unqualified audit report of 2011/12 fy was received from Auditor General	Auditor-General's report by 31 December 2013	In progress, due in November 2013		Auditor-General's report by 31 December 2014	Finance
			To ensure that Internal and External Audit queries are responded to on time	Time taken to respond to Internal and External Audit queries	All internal and external audit queries were responded to within two (2) days of receipt	All internal and external audit queries to be responded to within two (2) days of receipt and copies submitted to the Municipal Manager	Achieved.		All internal and external audit queries to be responded to within two (2) days of receipt and copies submitted to the Municipal Manager	Finance
			To ensure 100% expenditure on capital and grant funding	Progress made with the expenditure patterns on capital and grant funded	100% expenditure was achieved during the year under review	100% expenditure on capital funding by 30 June 2013	Achieved, 100% expenditure was achieved during the year under review		100% expenditure on capital budget by 30 June 2014	Finance

			<p>The assessment of SCI was undertaken by December 2011, MANCO and EXCO were apprised about the need to extend the duration of SCI to December 2012, in order to support the contractors with new contracts and hence R900 000 was allocated.</p>	<p>Assessment of the of the current construction incubation programme in order to determine its success and impact, and submit a report to the Municipal Manager. Based on the outcome of the assessment, Council will be advised accordingly to enrol new incubatees or review the model. Assessment to be completed by 31 July 2012</p>	<p>In progress, 26 contractors completed all Construction SETA unit standards which formed part of the training programme. o 10 contractors have successfully moved up on the CIDB register. One contractor is now on grade 6. 13 contractors have projects in the pipeline which will advance them on the CIDB register once completed.</p>	<p>The contract of the current service provider was extended by the municipality until end of March 2013, a request was forwarded to the MM for an extension in order to finalize the programme for the first group (including graduation and to proceed with the recruitment of the new group), and was then approved</p>	<p>Recruit a new intake of 30 contractors from around the District and provision of training and mentorship to contractors as well as assist in identification of work opportunities (projects)</p>	Office of the Mayor	
		<p>Progress made regarding functionality of the Agricultural Incubator Programme</p>	<p>Report on the status of the current incubatees in terms of progress made, achievements, challenges and exit plan was prepared and submitted to the Municipal Manager</p>	<p>Assessment of the of the current agricultural incubation programme in order to determine its success and impact, and submit a report to the Municipal Manager, based on the outcome of the assessment, Council will be advised accordingly to enrol new incubatees or review the model. Assessment to be completed by 31 July 2012</p>	<p>Achieved, a total of 45 emerging farmers were supported during the three years contract which came to an end in September 2013. a total of eleven emerging farmers received mentorship as well as financial support through the District maize production programme. The assessment of the programme was submitted to the Municipal Manager.</p>	<p>Review programme impact and investigate the amalgamation of incubation programmes into SMME support services/ unit was prepared and submitted to the MM,</p>	<p>No target for 2013/14 financial year. Awaiting the outcome of the review programme in terms of amalgamation of incubation programmes into SMME support services/ unit.</p>	Office of the Mayor	
		<p>Progress made with establishment of Special Purpose Vehicle (SPV) - this could translate to the Programme Management Unit or LED Agency</p>	<p>The SPV proposal was communicated with DEDT but clear intentions submitted to IDC. EXCO had since positively considered the intentions of establishing the agency.</p>	<p>Establishment of a Special Purpose Vehicle (SPV) by 30 June 2013</p>	<p>Not Achieved</p>	<p>The municipality submitted the business plan for funding to IDC for the establishment of the LED Agency and funding has not been received as yet.</p>	<p>The provincial cabinet lekgotla resolved to assist all the ten district municipalities to establish the LED agencies and be functional through the financial assistance to be provided. The district has sourced the services of a specialist to implement the establishment process</p>	<p>Processes of establishing the LED Agency through obtaining Council resolutions of all local municipalities and their financial pledges including institutional arrangements finalised by 30 June 2014</p>	Office of the Mayor

		Progress made with the preparation of economic profile for three remaining local municipalities and integrate such information into a district wide profile	Four economic profiles were completed and submitted to the concerned local municipalities	Economic profile for the three remaining local municipalities developed by 31 December 2012	Achieved.			Profiling of 5 LRAD farms completed by 31 December 2013	Office of the Mayor
			Target not not achieved	Review of District Tourism strategy and the development of an implementation plan by 31 December 2012	Tourism Strategy was received and adopted by Council in March 2013	Delays were experienced during the review of the Tourism Strategy hence it was not adopted by Council in December 2012.	Delays were experienced during the review of the Tourism Strategy hence it was not adopted by Council in December 2012. Tourism Strategy to be adopted by Council by 31 March 2014	Tourism Strategy adopted by Council by 31 March 2014	Office of the Mayor
		Target not achieved as Tourism anchor projects are meant to emanate from the strategy proposed thrusts.	Packaging of at least Two (2) Tourism projects proposals to be submitted to the Municipal Manager for approval by the 30 September 2012	Packaging of at least Two (2) Tourism projects proposals to be submitted to the Municipal Manager for approval by the 30 September 2012	Achieved				Office of the Mayor
		Tourism Brochure was reviewed successfully in 2012 and distributed widely during the Tourism Indaba in Durban.	Review of the District Tourism brochure by 30 September 2012	Review of the District Tourism brochure by 30 September 2012	Achieved				Office of the Mayor

	To ensure effective and sustainable Tourism Development								
		Progress made with the implementation of the Tourism strategy	At least one meaningful tourism show was attended which is the Tourism Indaba due to budget constraints	Attending of three (3) Tourism shows and exhibitions by the 30 June 2013	Not Achieved, due to budget constraints	Not Achieved, due to budget constraints		Attending of two (2) Tourism shows and exhibitions by the 30 June 2013	Office of the Municipal Manager
Tourism		Progress made with the development of a Marketing plan for the district to be able to attract investment	The marketing plan was not developed due to the absence of credible programmes and feasible projects to be marketed	Marketing plan for the municipality developed by 31 December 2012	Not achieved	Not achieved, due to the budget adjustment of the original budget for the project.s.	Not Achieved, due to the budget adjustment of the original budget for the project. 2013/14 Budget has been strictly aligned to the Service Delivery and Budget Implementation Plan to ensure achievement of targets	Establishment / re-operationalization of Community Tourism Organisations in Nquthu, Msinga and Umvoti Municipalities by 30 June 2014	Office of the Mayor
SMME Development	To establish business advice centres within the Local Municipalities and integration of current incubation units	Progress made with engaging SEDA and other institutions on possibilities of establishing business advice centres within the Local Municipalities	Seda and LMs were engaged on the need for to establish business advice centres. However, lack of resources was deemed as a challenge and the district did not have sufficient funds to advance this course.	Small business support centre established by 31 March 2012	Not achieved	Not achieved, due to the budget adjustment of the original budget for the project.	Not Achieved, due to the budget adjustment of the original budget for the project. 2013/14 Budget has been strictly aligned to the Service Delivery and Budget Implementation Plan to ensure achievement of targets	Identification of Small enterprise development & Poverty alleviation projects by 31 March 2014	Office of the Mayor

	To review and adopt the HIV / Aids strategy which is in line with the Provincial HIV/Aids strategy	Progress made with the review and adoption of the HIV/Aids strategy	HIV / Aids strategy couldnt be reviewed due to budget constraints							
HIV / Aids Programmes				HIV/Aids strategy reviewed and adopted by Council by 30 June 2013	Not Achieved, due to the budget adjustment of the original budget for the project.	Not Achieved, due to the budget adjustment of the original budget for the project.	Not Achieved, due to the budget adjustment of the original budget for the project.	Not Achieved, due to the budget adjustment of the original budget for the project. 2013/14 Budget has been strictly aligned to the Service Delivery and Budget Implementation Plan to ensure achievement of targets	HIV/Aids strategy reviewed and adopted by Council by 30 June 2014	Office of the Mayor
			Nine sports codes participated in the KZN SALGA games held by 31 August 2011, the other sports codes were determined as not competitive to participate	Fifteen municipal sports codes participated in the KwaNaloga Games by 31 December 2012	Achieved.				Fifteen municipal sports codes to participate in the KwaNaloga Games by 31 December 2013	Office of the Mayor
			The Mayoral sports tournament couldnt take place because of the reasons related to PSL teams	Mayoral Sports Tournament undertaken by 31 March 2013	Not Achieved, due to the budget adjustment of the original budget for the project.	Not achieved, due to the budget adjustment of the original budget for the project.	Not Achieved, due to the budget adjustment of the original budget for the project. 2013/14 Budget has been strictly aligned to the Service Delivery and Budget Implementation Plan to ensure achievement of targets.		Mayoral Sports Tournament undertaken by 31 March 2014	Office of the Mayor
			Achieved.	Municipality participated in the Rural Horse Riding event by 31 July 2012	Achieved.				Municipality participated in the Rural Horse Riding event by 31 March 2014	Office of the Mayor
	To ensure effective and		Indegenous games were undertaken by the 30 September 2011	Ward Sports Development undertaken by 31 October 2012	Achieved.				Ward Sports Development undertaken by 31 October 2013	Office of the Mayor

To provide capacity development for Councillors and Officials	Number of training programmes conducted as per the WSP	2013/14 WSP signed and submitted to Department of Labour within five (5) days before the due date	2012/13 WSP signed and submitted to Department of Labour within five (5) days before the due date	Workplace Skills plan was submitted to the Department of Labour by 29 June 2012 Employees are being trained in line with the identified training Five interns are attending the MFMP training programme		2012/13 WSP signed and submitted to Department of Labour within five (5) days before the due date, and training to be undertaken in line with the WSP.	Corporate Services
To ensure the preparation, submission and employment of staff as per the EEP	Recruit and select staff according to Employment Equity Plan	Employment Equity Plan was submitted to the Department of Labour before the end of October 2011. Thirty one new staff members were appointed during the year under review	Appointment of new staff as per the Employment Equity Plan by 30 June 2013	Sixteen new staff members were appointed during the year under review		Appointment of new staff as per the Employment Equity Plan by 30 June 2014	Corporate Services
To claim budget utilised for training from LG SETA	Amount claimed from SETA for training	Target not achieved	Costs incurred for training claimed from LEG Seta by 30 June 2013	Achieved. An amount of R 199 221.69 was received from LGSETA during this financial year.		Costs incurred for training claimed from LEG Seta by 30 June 2014	Corporate Services
To strengthen the	Number of District Mayoral Forum meetings held	4	4	2	Not Achieved, Four meetings couldnt be held during the year under review due to lack of a quorum	Not Achieved, Four meetings couldnt be held during the year under review due to lack of a quorum. A report will be submitted to the Municipal Managers Forum and Mayors Forum requesting assistance on the functionality of the forum before the end of the second quarter	Forum operational and four meetings held by 30 June 2014 Corporate Services

intergovernmental system so as to adhere to IGR Framework Legislation	Number of Municipal Managers Forum meetings held	4	4	1	Not Achieved, Four meetings couldnt be held during the year under review due to lack of a quorum	Not Achieved, Four meetings couldnt be held during the year under review due to lack of a quorum. A report will be submitted to the Municipal Managers Forum and Mayors Forum requesting assistance on the functionality of the forum before the end of the second quarter	Forum operational and four meetings held by 30 June 2014	Corporate Services
To establish the General and Social Services Forum	Progress made regarding the functionality of the Corporate Services Managers Forum	Only three meetings were held of the forum due to commitment of the members	Forum operational and four meetings held by 30 June 2013	A total of two meetings were held during the year under review	Four meetings couldnt be held during the year under review due to lack of a quorum	Not Achieved, as three meetings could not be convened due to lack of a quorum. A report will be submitted to the Municipal Managers Forum and Mayors Forum requesting assistance on the functionality of the forum before the end of the second quarter	Forum operational and four meetings held by 30 June 2014	Corporate Services
To have an operational CFO's Forum	Progress made regarding the functionality of the CFO's Forum		Forum operational and four meetings held by 30 June 2013	Not Achieved	One meeting was held during the year under review due to lack of a quorum	Not Achieved, as three meetings could not be convened due to lack of a quorum. A report will be submitted to the Municipal Managers Forum and Mayors Forum requesting assistance on the functionality of the forum before the end of the second quarter	Forum operational and four meetings held by 30 June 2014	Finance
To have an operational Planning and Development Forum	Progress made regarding the functionality of the Planning and Development Forum		Forum operational and four meetings held by 30 June 2013	Achieved, four meetings of the Planning and Development Forum were held during the year review			Forum operational and four meetings held by 30 June 2014	Development Planning

To have an operational Infrastructure Forum	Progress made regarding the functionality of the Infrastructure Forum		Forum operational and four meetings held by 30 June 2013	Not Achieved	One meeting was held during the year under review due to lack of a quorum	Not Achieved, as three meetings could not be convened due to lack of a quorum. A report will be submitted to the Municipal Managers Forum and Mayors Forum requesting assistance on the functionality of the forum before the end of the second quarter	Forum operational and four meetings held by 30 June 2014	Technical Services
To have an operational District Communication Forum	Progress made regarding the functionality of the District Communication Forum	Forum operational and three out of four reports submitted to the MM by 30 June 2012, due to delays in filling the post of the Manager communications	Forum operational and four meetings held by 30 June 2013	Not Achieved	One meeting was held during the year under review due to lack of a quorum	Not achieved, as three meetings could not be convened due to lack of a quorum. A report will be submitted to the Municipal Managers Forum and Mayors Forum requesting assistance on the functionality of the forum before the end of the second quarter	Forum operational and four meetings held by 30 June 2014	Corporate Services
To develop declaration of interest forms for employees and Councillors	Progress made regarding the development of declaration of interest forms for employees and Councillors	Achieved	Developed and completed declaration of interests submitted to the MM for approval by 31 July 2012	Achieved			Developed and completed declaration of interests submitted to the MM for approval by 31 July 2013	Corporate Services
To improve ICT infrastructure to meet working environment needs	Number of ICT's queries logged and solved	100% of the annual queries lodged and solved by 30 June 2012	100% of the annual queries lodged and solved by 30 June 2013	Achieved	The following queries were lodged and solved as follows: • We had Wi-Fi challenge which was on and off as a result of one wireless switch which failed, but was replaced, and Munsoft daily backup which had a challenge.		100% of the annual queries lodged and solved by 30 June 2014	Corporate Services

Municipal Transformation and Institutional Development	Transformation and Institutional Development	To ensure that Council and Committee minutes are produced on time	Time taken to produce Council and Committee minutes	Council and committee minutes were produced and circulated to Manco two days after the meeting	Council and Committee minutes to be produced and circulated to Manco two days after the meeting	Achieved			Council and Committee minutes to be produced and circulated to Manco two days after the meeting	Corporate Services	
	Administration	To review the District Municipal organogram	Turn around time in the filling of Posts as approved by Council	Council approved posts were filled within three months after the posts have become vacant	Three months after the approved post by Council become vacant	Achieved		The municipality filled the posts as per the approved organogram within three months after they had become vacant	Three months after the approved post by Council become vacant	Corporate Services	
			Progress made in the review of the Municipal organogram	Organogram was reviewed in line with the IDP by the end of May 2012	Organogram reviewed by 30 June 2013	Achieved.		Organogram reviewed by 30 June 2014	Corporate Services		
					Three out of four delegations were gazetted, one delegation was not gazetted on time due to municipal financial constraints	Progress report on support rendered to local municipalities to have their delegations gazetted by the 30 September 2012				Achieved, delegations in place for Endumeni, Nquthu, Msinga and Umvoti Local Municipalities	No target for 2013/14 financial year
					Manual system for receiving, commenting and approval of applications was developed by 30 September 2011	Developing a system for receiving, commenting and approval of the development applications in line with the Planning and Development Act by the 30 November 2011	Achieved.			No target for 2013/14 financial year	Development Planning

Sector plans	To review Strategic Environmental Assessment	Progress with the review of the Strategic Environmental Assessment	No target for 2011/12 fy	Strategic Environmental Assessment reviewed and adopted by Council by 30 June 2013	Not Achieved	Not Achieved, due to the budget adjustment of the original budget for the project.	Not Achieved, due to the budget adjustment of the original budget for the project. 2013/14 Budget has no provision for the review of the Strategic Environmental Assessment hence the target for 30 June 2015.	Strategic Environmental Assessment reviewed and adopted by Council by 30 June 2015	Office of the Municipal Manager
	To review Public Transport Plan	Progress with the review of the Public Transport Plan	No target for 2011/12 fy	Integrated Public Transport Plan reviewed and adopted by Council by 30 June 2013	Not achieved	Not achieved, due to the budget adjustment of the original budget for the project.	Not Achieved, due to the budget adjustment of the original budget for the project. 2013/14 Budget has been strictly aligned to the Service Delivery and Budget Implementation Plan to ensure achievement of targets	No target for 2013/14 financial year. Public Transport Plan to be reviewed by 30 June 2015 as the Department of Transport is rolling out the provincial strategy	Office of the Municipal Manager
Strategic Planning	IDP Aligned to Outcome 9	Progress made with the alignment of the IDP to outcome 9	2011/12 IDP was aligned to Outcome 9 by 30 June 2011	IDP Aligned to Outcome 9 by 30 June 2013	Achieved.			IDP Aligned to Outcome 9 by 30 June 2014	Office of the Municipal Manager
	To align IDP sector plans with the PGDS, PSEDS and NSDP	Progress made with the preparation and alignment 2012/13 IDP Review sector plans with PGDS, PSEDS and NSDP.	2011/12 IDP was finalised and adopted by Council on May 2011	2013/14 IDP Review finalised and adopted by Council on 30 June 2013	Achieved			2014/15 IDP Review finalised and adopted by Council by 30 June 2014	Office of the Municipal Manager
	To have an effective and functional OPMS system	Number of quarterly reviews undertaken	Four quarterly reviews were undertaken by 30 June 2012	Four quarterly reviews undertaken by 30 June 2013	Achieved			Four quarterly reviews undertaken by 30 June 2014	Office of the Municipal Manager
		Number of performance reports submitted in terms of section 46 of the Municipal Systems Act	One performance report was submitted in terms of section 46 of the Municipal Systems Act by 31 July 2012	One performance report submitted in terms of section 46 of the Municipal Systems Act by 31 July 2013	Achieved.			One performance report submitted in terms of section 46 of the Municipal Systems Act by 31 July 2014	Office of the Municipal Manager

UMZINYATHI DISTRICT MUNICIPALITY
2012_13 ANNUAL ORGANISATIONAL PERFORMANCE REPORT

Organisational Performance Management System		Number of corrective actions taken to improve performance	Four quarterly performance assessments were undertaken to improve performance by 30 June 2012	Four quarterly performance assessments undertaken to improve performance by 30 June 2013	Achieved.			Four quarterly performance assessments undertaken to improve performance by 30 June 2014	Office of the Municipal Manager
Environmental Health	To achieve safe and healthy living, working and recreational environment by evaluating, controlling and mitigating hazards and unsatisfactory conditions	Response time on reported risk issues.	Reported risks were attended to within a period of 24 hours	Within a period of 24 hours	Achieved.			Within a period of 24 hours	Development Planning
	To review the district disaster management plan and framework to update risks and mitigating measures	Progress made regarding the review of the Disaster Management Plan and framework to update risks and mitigating measures	Disaster Management Plan couldn't be reviewed due to lack of plans from two local municipalities which hindered integration and alignment	Disaster Management Plan and framework reviewed and adopted by Council by 30 June 2012	Achieved			Identification and implementation of key catalytic projects in line with the Disaster Management Plan	Development Planning

Municipal Transformation and Institutional Development	Differentiated Approach to Municipal Financing, Planning and Support	Dister Management	To install box message facility at Umzinyathi District Disaster Management Centre	Progress made with the installation of box message facility at Umzinyathi District Disaster Management Centre		Box message facility installed at Umzinyathi District Disaster Management Centre by 31 December 2012	Achieved			No target for 2013/14 financial year	Development Planning
			Installation of one weather satellite station in each local municipality	Progress made with the installation of one weather satellite station in each local municipality	No target for the year under review	Weather satellite station installed in each local municipality by 31 March 2013	Not Achieved	Not achieved, due to the budget adjustment of the original budget for the project.	Not achieved, due to the budget adjustment of the original budget for the project. 2013/14 Budget has been strictly aligned to the Service Delivery and Budget Implementation Plan to ensure achievement of targets	Weather satellite station installed in each local municipality by 30 June 2014	Development Planning
			To assist one local municipality with the development of their Disaster Management Plan	Progress with assisting Nquthu Municipality with the development of their Disaster Management Plan	Nquthu and Msinga Municipalities Disaster Management Plans couldnt be developed due to budget constraints	Nquthu Disaster Management Plan developed by 31 March 2013	Achieved				No target for 2013/14 financial year

APPENDIX B

RECOMMNDATIONS OF THE MUNICIPAL AUDIT COMMITTEE

UMZINYATHI DISTRICT MUNICIPALITY

AUDIT COMMITTEE

2012/2013 ANNUAL REPORT

ESTABLISHMENT OF AN AUDIT COMMITTEE

Section 166 (1) read with section 166 (6) of the Municipal Finance Management Act 56 of 2003 provides that each Municipality **must have** an Audit Committee subject to that a single Audit Committee may be established for a

District Municipality and the Local Municipalities within that District Municipality.

Umzinyathi District Municipality appointed an Audit Committee for itself with the following members:

NAME	CAPACITY
Mr. LCT Nkosi	Chairman
Mr MS Ismael	member
Ms PL Masiteng	member
Dr T I Mzimakwe	member.

FUNCTIONS OF THE AUDIT COMMITTEE

The functions of the Audit Committee are statutory and provided for in section 166 (2) of

the Municipal Finance Management Act 56 of 2003 which reads:

(2) An audit committee is an independent advisory body which must-

- (a) Advise the municipal council, the political office-bearers, the accounting officer and the management staff of the municipality, or the board of directors, the accounting officer and the management staff of the municipal entity, on matters relating to-*
- i. Internal financial control and internal audits;*
 - ii. Risk management;*
 - iii. Accounting policies;*
 - iv. The adequacy, reliability and accuracy of financial reporting and information;*
 - v. Performance management;*
 - vi. Effective governance;*
 - vii. Compliance with this Act, the annual Division of Revenue Act and any other applicable legislation;*
 - viii. Performance evaluation; and*
 - ix. Any other issues referred to it by the municipality or municipal entity;*

(b) Review the annual financial statements to provide the council of the municipality or, in the case of a municipal entity, the council of the parent municipality of the board of directors of the entity, with an authoritative and credible view of the financial position of the municipality or municipal entity, its efficiency and effectiveness and its overall level of compliance with this Act, the annual Division of Revenue Act and any other applicable legislation;

(c) Respond to the council on any issues raised by the Auditor-General in the audit report;

(d) Carry out such investigations into the financial affairs of the municipality or municipal entity as the council of the municipality, or in the case of a municipal entity, the council of the parent

*municipality or the board
of directors of the entity,
may request, and*

*(e) Perform such other
functions as may be
prescribed.*

MEETINGS OF THE AUDIT COMMITTEE

Section 166 (4) (b) provides: “An Audit Committee must meet as often as is required to perform its functions, but at least four times a year.”

The Audit Committee met and performed its functions as follows with regard to the year under review:

26 JULY 2012 [1]

1. Approval of recommendations of section 78 report for water services delivery mechanism assessment for uThukela region and implementation plan for uMzinyathi district municipality
2. Report on the implementation of the supply chain management policy for the month ending 29 February 2012
3. Third quarterly performance report of the service delivery and budget implementation plan (SDBIP) for 2011/12 – 2013/14
4. Third quarterly performance report: organizational scorecard
5. 2012/13 – 2014/15 service delivery and budget implementation plan (SDBIP)
6. Report on budget statements: 30 June 2012
7. Report on the implementation of the supply chain management policy for the month ending: 30 June 2012
8. 2011/2012 internal audit plan

22 AUGUST 2012 [2]

9. Annual performance report for the year ended 30 June 2012 –
Organisational Scorecard
10. Audit committee review of Draft Annual Financial Statements:
august 2012
11. Report on response made by management to audit committee on
queries raised in the MPAC meeting: 07 august 2012
12. Progress report on the implementation of section 78 report and
withdrawal of intervention in terms of section 139 (1)(b) of the
Constitution of the Republic of South Africa (Act, 1996 and directive
issued in terms of section 139 (1)(a) of the Constitution of the Republic
of South Africa Act issued by provincial executive of Kwazulu Natal to
uMzinyathi district, the Amajuba district and the Newcastle local
municipality

25 OCTOBER 2012 [3]

13. 2012/2013 annual internal audit plan
14. Audit committee charter and code of good practice
15. Internal audit charter
16. Internal audit methodology
17. 2012/2013 internal audit plan update
18. Report on the implementation of the supply chain management
policy for the month ending 30 september 2012
19. Report on budget statements: 30 september 2012

24 JANUARY 2013 [4]

20. First Quarterly Performance Report of the Service Delivery and
Budget Implementation lan (SDBIP) for 2012/13 – 2014/15

21. First Quarterly Performance Report: Organisational Scorecard
22. First Quarterly Report: Data Sheet
23. Internal Audit Reports
24. 2012/2013 Risk Assessment conducted by provincial treasury
25. Report on the Implementation of the Supply Chain Management Policy for the month ending 30 September 2012
26. Report on the Implementation of the Supply Chain Management Policy for the month ending 31 December 2012
27. Report on Budget Statements: 31 December 2012
28. Presentation and approval of the Audit Report for the year ended 30 June 2012
- 29.

24 APRIL 2013 [5]

30. Mid-year Performance Report of the Service Delivery and Budget Implementation Plan (SDBIP) for 2012/13-2014/15
31. Report of the First and Second Quarterly Performance Assessments for the section 55, 56, managers and consulting chief financial officer
32. Report on the Implementation of the Supply Chain Management Policy for the month ending: 31 March 2013
33. Report on Budget Statements: 31 March 2013
34. Status on the 2012 -2013 Annual Internal Audit Plan
35. Internal Audit Reports
36. 2012-2013 Annual Internal Audit Plan

The above meetings of the Audit Committee were attended as follows:

	NAME	DESIGNATION	1	2	3	4	5
1	LCT Nkosi	Audit Committee Chairman	Y	Y	Y	Y	Y
2	Mr MS Ismael	Member, Audit Committee	Y	Y	Y	Y	Y
3	Ms PL Masiteng	Member, Audit Committee		Y	Y	Y	Y
4	Dr T I Mzimakwe	Member, Audit Committee		Y		Y	Y
5	Cllr Z G Ngcobo	Chairman - MPAC					Y
6	MR WJM Mngomezulu	Municipal Manager			Y		Y
7	Mr SMB Buthelezi	Exec. Manager Corporate Service	Y	Y	Y		
8	Ms H Bester	Internal Auditor	Y	Y		Y	Y
9	Ms T C Madonsela	Admin Clerk	Y	Y	Y	Y	Y
10	Dr I Bedassi	Chairman MPAC	Y		Y	Y	
11	Mr BB Mdletshe	Consulting Chief Financial Officer	Y				Y
12	Mr E Bonga	Exec Manager Planning & Social Dev	Y	Y			
13	Mr M Naicker	Gobodo	Y	Y			
14	Mr B Hlatshwayo	Manager IDP/PMS	Y		Y		Y
15	Mrs CB Mkhize	Accounting Budget and Reporting			Y	Y	Y
16	Mr T Ncube	COGTA		Y	Y	Y	Y
17	Mrs PP Sithole	Accounting Income and Expenditure		Y			
18	Mr TR Malunga	Deputy Municipal Manager		Y	Y	Y	Y
19	Mr H Mangerah	Auditor General					Y
20	Ms N Shezi	COGTA					
21	Ms K Subramani	COGTA				Y	
22	Mr P Ntuli	Treasury					Y
23	Mr SC Mkhwanazi	Manager Support Services				Y	

24	Ms S Chenia	Guarantee Trust	Y	Y	Y	Y
25	Mr K Murugan	Lakhi & Co	Y			
26	Mr S Ntombela	LED Specialist	Y			
27	Mrs L Zulu	EMMO			Y	Y
28	Mr U Botshiwe	Umnotho			Y	Y
29	MR SNA Mncwabe	COGTA		Y		
30	Mr B Shabangu	Treasury			Y	Y
31	Ms Joqi	Internal Auditor		Y		
32	Mr N Burren	Auditor General	Y	Y		
33	Ms N Majola	COGTA		Y		
34	M Naicker	COGTA	Y			

SECTION 129 REPORT ON THE ANNUAL REPORT

In terms of section 129(1)(a) of the Municipal Finance Management Act 56 of 2003 read with section 166(2)(a)(iv) and (vii) the Audit Committee recommends that Council approve the Annual Report with reservations.

The recommendation of the Audit Committee is premised on the following reasons:

1. The figures reflected in Chapter 3 of the Annual Report on MIG expenditure do not tally with figures submitted to the Audit Committee on 25 July 2013 under note 19 of the Draft Annual Financial Statements.
2. The Draft Annual Financial Statement submitted the Audit Committee on 26 August 2013 as well as the Audited Annual Financial Statements does not have notes on MIG expenditure, and
3. A project reported as actual constructed project in the Fourth Quarterly Report of the Service Delivery and Budget Implementation Plan appears as a Plan in the Annual Report.

ISSUES RAISED BY THE AUDITOR GENERAL

In terms of section 166(2)(c) of the Finance Management Act 56 of 2003 the Audit Committee must respond to council on any issues raised by the Auditor General in the Audit Report.

In accordance with the above section the Audit Committee respond as follows:

A. GOING CONCERN

“The municipality has experienced a significant loss of revenue due to water loses”

The Auditor General raised this issue based on the fact that management did not provide the information to the Auditor General in the Management Letter that the difference of 55.95% between water purchases and water sales is largely because water is supplied to the community via communal stand pipes and tanks free of charge.

B. IRRIGULAR EXPENDITURE

“The municipality has incurred irregular expenditure of R12,70 million

- R1 061 415 paid to Protea Consulting. It appears that this procurement was done in accordance with Regulation 32 of the Supply Chain Regulations. We disagree that this was irregular. We are of the view that management failed to show to the Auditor General the benefit and discount of using this consultant hence the finding.

- ❖ It is recommended that in the event there is a disagreement between management and the Auditor General management should not rush to make a disclosure – in this matter management is still convinced that there was a benefit but they disclosed it as an irregular expenditure.
- ❖ The Audit Committee has been advised that the contract with Protea Consulting terminated on June 2013.

➤ R10 244 748 paid to Expectra. We agree with the Auditor General. Council resolved to procure this service purportedly in terms of Regulation 37 of the Supply Chain Regulations; however the requirements were not completed.

❖ The Audit Committee recommends that the municipality should comply with sub-regulations 3 to 8

➤ R1 390 493 paid to Blackwatch. We agree with the Auditor General. This service was procured in the previous financial year. The service was terminated on 3 April 2013.

C. MATERIAL LOSSES AND IMPAIRMENTS

“Water losses amounting to R38.76 million”

➤ See Going Concern above

“Debt impairment of R100.47 million”

➤ The Audit Committee agrees with the Auditor General that this impairment is high. The reason for this is the uncertainty of collecting debt taken over from uThukela water.

❖ The Audit Committee recommends that the debt taken from uThukela water be written off pending the cleansing thereof thereafter only reasonably collectable debt may be written back to the financial statements

CONCLUSION

The Audit Committee confirms that it has adopted appropriate formal terms of reference as its Audit Committee Charter, and that it has regulated its affairs in compliance with this charter, and that it did discharged all of its responsibilities as diligently as possible within the ambit of its duties and as contained within the charter.

Council's attention is drawn to the fact that the term of the Audit Committee expired in December 2013.

A handwritten signature in black ink, appearing to be 'LCT NKOSI', written over a horizontal line.

LCT NKOSI

CHAIRMAN OF THE AUDIT COMMITTEE

UMZINYATHI DISTRICT MUNICIPALITY

29 January 2014

APPENDIX C

AUDITED 2012/13 ANNUAL FINANCIAL STATEMENTS



Umzinyathi District Municipality
Annual Financial Statements
for the year ended 30 June 2013

Umzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2013

General Information

Mayoral committee

Executive Mayor

Cllr. J.M. Mthethwa

Mayor

Cllr. N.J. Mbatha

Deputy Mayor

Cllr. B.S. Chambule

Speaker

Cllr. L.D. Ngubane

Member of the Executive Committee

Cllr. M.I. Sithole

Member of the Executive Committee

Cllr. M.S. Yengwa

Member of the Executive Committee

Councillors

Cllr. N.N. Khanyile

Member

Cllr. I. Bedassi

Member

Cllr. N.P. Zulu

Member

Cllr. X.S. Xaba

Member

Cllr. P.M. Ngobese

Member

Cllr. T.M. Mahaye

Member

Cllr. J. Mfeka

Member

Cllr. Z.G. Ngcobo

Member

Cllr. A.M. Shaik

Member

Cllr. V.B. Ntombela

Member

Cllr. N.F.V. Machaba

Member

Cllr. F.J. Sikhakhane

Member

Cllr. B.P. Ngcobo

Member

Cllr. E.N. Molefe

Member

Cllr. M. Mnguni

Member

Cllr. M. Mkhwanazi

Member

Cllr. B.N. Zondi

Member

Cllr. L.G. Mabaso

Member

Cllr. R.N. Ngubane

Member

Grading of local authority

Grade 4

Chief Finance Officer (CFO)

Bongani B Mdletshe

Accounting Officer

Mr W.J.M. Mngomezulu

Registered office

39 Victoria Street
Princess Magogo Building
Dundee
3000

Business address

39 Victoria Street
Princess Magogo Building
Dundee
3000

Postal address

P O Box 1965
Dundee
3000

Bankers

First National Bank

Auditors

Auditor General

Umzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2013

Index

The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

Index	Page
Accounting Officers's Responsibilities and Approval	3
Statement of Financial Position	4
Statement of Financial Performance	5
Statement of Changes in Net Assets	6
Cash Flow Statement	7
Statement of Comparison of Budget and Actual Amounts	8 - 9
Accounting Policies	10 - 25
Notes to the Annual Financial Statements	26 - 51
Appendixes:	
Appendix A: Schedule of External loans	52

Umzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Officers's Responsibilities and Approval

I am responsible for the preparation of these financial statements, which are set out on pages 4 to 51, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 18 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Mr W.J.M. Mngomezulu
Municipal Manager
30 August 2013

Umzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2013

Statement of Financial Position as at 30 June 2013

Figures in Rand	Note(s)	2013	2012
ASSETS			
Current Assets			
Debtors	2	8,362,811	18,377,149
VAT receivable	3	13,462,341	4,971,134
Consumer debtors	4	74,568,790	-
Cash and cash equivalents	5	25,351,559	9,527,937
		121,745,501	32,876,220
Non-Current Assets			
Investment property	6	1,040,000	864,155
Property, plant and equipment	7	25,635,641	24,306,388
Intangible assets	8	1,836,809	6,479
Interest in joint ventures	9	1,088,442,618	1,030,786,020
Investments	10	15,154,768	-
		1,132,109,836	1,055,963,042
Total Assets		1,253,855,337	1,088,839,262
LIABILITIES			
Current Liabilities			
Creditors	11	54,065,077	54,707,003
Unspent conditional grants and receipts	12	18,979,711	24,748,808
Current portion of long term liabilities	13	18,957,246	1,044,617
Consumer deposits		575,657	-
		92,577,691	80,500,428
Non-Current Liabilities			
Retirement benefit obligation	14	9,004,176	7,769,169
Long term liabilities	13	61,070,427	-
		70,074,603	7,769,169
Total Liabilities		162,652,294	88,269,597
Net Assets		1,091,203,043	1,000,569,665
NET ASSETS			
Reserves			
Other Reserves	15	698,434,731	947,897,868
Accumulated surplus		392,768,312	52,671,797
Total Net Assets		1,091,203,043	1,000,569,665

Umzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2013

Statement of Financial Performance

Figures in Rand	Note(s)	2013	2012
Revenue			
Service charges	16	40,838,544	-
Rental of facilities and equipment		321,358	237,517
Interest received - investment	17	13,771,423	3,433,593
Government grants & subsidies	18	493,039,577	394,054,153
Other income		5,233,074	640,665
Total revenue		553,203,976	398,365,928
Expenditure			
Personnel	19	(42,347,816)	(32,024,065)
Remuneration of councillors	20	(3,376,560)	(3,274,132)
Agency Fees	21	(105,139,782)	(64,405,032)
Depreciation and amortisation	22	(5,087,201)	(3,832,508)
Finance costs	23	-	(795)
Post retirement benefits		(1,252,455)	-
Repairs and maintenance		(5,860,839)	(5,800,255)
Grants and subsidies paid	24	(150,597,729)	(112,056,485)
General Expenses	25	(83,223,283)	(74,184,325)
Total expenditure		(396,885,665)	(295,577,597)
Operating surplus		156,318,311	102,788,331
Loss on disposal of assets and liabilities		(135,530)	(194,362)
Investment in joint venture		43,867,879	(21,646,829)
		43,732,349	(21,841,191)
Surplus for the year		200,050,660	80,947,140

Umzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2013

Statement of Changes in Net Assets

Figures in Rand	Other Reserves	Accumulated surplus	Total net assets
Balance at 01 July 2011	969,544,697	(42,665,921)	926,878,776
Changes in net assets			
Uthukela water joint venture investment	(21,646,829)	-	(21,646,829)
Net income (losses) recognised directly in net assets	(21,646,829)	-	(21,646,829)
Surplus for the year	-	102,593,969	102,593,969
Total recognised income and expenses for the year	(21,646,829)	102,593,969	80,947,140
Prior year adjustment	-	323,907	323,907
Prior year accruals	-	(12,362,807)	(12,362,807)
Adjustment to post retirement benefits	-	4,782,649	4,782,649
Total changes	(21,646,829)	95,337,718	73,690,889
Balance at 01 July 2012	947,897,868	52,635,071	1,000,532,939
Changes in net assets			
Transfer in/Transfer out	(32,175,551)	140,082,581	107,907,030
Net income (losses) recognised directly in net assets	(32,175,551)	140,082,581	107,907,030
Surplus for the year	-	200,050,660	200,050,660
Total recognised income and expenses for the year	(32,175,551)	340,133,241	307,957,690
Change in investment	(217,287,586)	-	(217,287,586)
Total changes	(249,463,137)	340,133,241	90,670,104
Balance at 30 June 2013	698,434,731	392,768,312	1,091,203,043

15

Umzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2013

Cash Flow Statement

Figures in Rand	Note(s)	2013	2012
Cash flows from operating activities			
Receipts			
Sale of goods and services		85,027,781	237,518
Grants		336,672,751	390,620,558
Interest income		13,771,423	3,433,593
Other receipts		5,368,604	2,337,166
		<u>440,840,559</u>	<u>396,628,835</u>
Payments			
Employee costs		(45,724,376)	(35,007,657)
Suppliers		(435,138,344)	(322,306,240)
Interest expense		-	(795)
Other non-cash item		(1,112,197)	(39,905,692)
		<u>(481,974,917)</u>	<u>(397,220,384)</u>
Net cash flows from operating activities	27	<u>(41,134,358)</u>	<u>(591,549)</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(4,424,366)	(3,856,415)
Proceeds from sale of property, plant and equipment	7	233,482	1,489,924
Purchase of investment property	6	(175,845)	-
Purchase of other intangible assets	8	(3,079,236)	-
Proceeds from sale of financial assets		(15,154,768)	-
		<u>(22,600,733)</u>	<u>(2,366,491)</u>
Cash flows from financing activities			
Movement in long term liabilities		78,983,056	1,044,617
Movement in consumer deposits		575,657	-
		<u>79,558,713</u>	<u>1,044,617</u>
Net increase/(decrease) in cash and cash equivalents		15,823,622	(1,913,423)
Cash and cash equivalents at the beginning of the year		9,527,937	11,441,361
Cash and cash equivalents at the end of the year	5	<u>25,351,559</u>	<u>9,527,938</u>

Umzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2013

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	38,096,070	6,905,737	45,001,807	40,838,544	(4,163,263)	More customers billed were identified through the water meter audit and thus increased the number of customers billed compared with the budget.
Other revenue	11,382,060	28,269,882	39,651,942	30,016,905	(9,635,037)	Occupation of new renovated building delayed hence less rental flowed in.
Interest received - investment	3,800,000	(2,300,000)	1,500,000	13,639,489	12,139,489	Fixed investment of R15m resulted in the investment return above the budget.
Total revenue from exchange transactions	53,278,130	32,875,619	86,153,749	84,494,938	(1,658,811)	
Revenue from non-exchange transactions						
Taxation revenue						
Government grants & subsidies	400,311,000	117,561,395	517,872,395	468,577,104	(49,295,291)	Other gazetted grants were reduced i.e. Greytown bulk reduced by R7m.
Total revenue	453,589,130	150,437,014	604,026,144	553,072,042	(50,954,102)	
Expenditure						
Personnel	(77,825,646)	33,047,384	(44,778,262)	(43,833,193)	945,069	
Remuneration of councillors	(3,234,697)	(88,264)	(3,322,961)	(3,376,560)	(53,599)	
Finance costs	7,926,347	(7,926,347)	-	-	-	

Umzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2013

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
General Expenses	(364,602,440)	(191,784,955)	(556,387,395)	(349,508,488)	206,878,907	Due to cash flow challenges and cutting strategies introduced by management thus resulted in operating expenditure to be at 81%.
Total expenditure	(453,589,130)	(150,899,488)	(604,488,618)	(396,718,241)	207,770,377	
Surplus for the year	-	(462,474)	(462,474)	156,353,801	156,816,275	

Umzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

These accounting policies are consistent with the previous period.

Presentation Currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

Going Concern Assumption

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

Comparative Information

Budget information in accordance with GRAP 1 and 24, has been provided in an annexure to these financial statements and forms part of the audited annual financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

- GRAP 105 - Transfers of Functions Between Entities Under Common Control
- GRAP 106 - Transfers of Functions Between Entities Not Under Common Control
- GRAP 107 - Mergers
- GRAP 18 - Segment Reporting
- GRAP 20 - Related Party Disclosures

1.1 Investment property

Initial Recognition

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Initial Measurement

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Umzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.1 Investment property (continued)

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Subsequent Measurement

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.2 Property, plant and equipment

Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Initial Measurement

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Subsequent Expenditure

Umzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.2 Property, plant and equipment (continued)

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Subsequent Measurement - Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Depreciation & Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

The annual depreciation rates are based on the following estimated average asset lives:

Infrastructure	Years	Other	Years
Roads and Paving	30	Buildings	25
Pedestrian Malls	30	Specialist vehicles	10
Electricity	20-80	Other vehicles	4
Water	15-100	Office equipment	5
Sewerage	15-60	Furniture and fittings	7-10
		Watercraft	15
Community		Bins and containers	5
Buildings	30	Specialised plant and equipment	10-15
Recreational Facilities	20-30	Other items of plant and equipment	2-5
Security	5	Landfill sites	15

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests for impairment where there is an indication that an asset may be impaired. Assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

The Municipality has taken advantage of the transitional provisions permitted by the Accounting Standards Boards, in terms of Directive 4 issued in March 2009, with respect to the measurement of property, plant and equipment as set out in paragraph 73 to 83.

Derecognition

Items of municipality are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

Umzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.2 Property, plant and equipment (continued)

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the municipality.

1.3 Intangible assets

Initial Recognition

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Initial Measurement

Intangible assets are initially recognised at cost.

An intangible asset acquired through a non-exchange transaction, the cost shall be its fair value as at the date of acquisition.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Subsequent Measurement

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Umzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.3 Intangible assets (continued)

Item	Useful life
Computer Software	3 years

Derecognition

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

1.4 Interest in joint ventures

An interest in a joint venture is carried at cost less any accumulated impairment.

Surpluses and deficits resulting from contributions or sale of assets to joint ventures are only recognised to the extent of other venturers' interests in the joint venture.

The municipality's share of surpluses or deficits, resulting from purchase of assets from joint ventures are recognised only when the assets are resold to an independent party.

In respect of its interests in jointly controlled operations, the municipality recognises in its annual financial statements:

- the assets that it controls and the liabilities that it incurs; and
- the expenses that it incurs and its share of the revenue that it earns from the sale or provision of goods or services by the joint venture.

Subsequent Measurement

Upon loss of joint control, the Entity measures and recognises its remaining investment at its fair value. Any difference between the carrying amount of the former joint controlled entity upon loss of joint control and the fair value of the remaining investment and proceeds from disposal are recognised in surplus or deficit. When the remaining investment constitutes significant influence, it is accounted for as investment in an associate.

1.5 Financial instruments

Initial recognition and measurement

Financial instruments are recognised initially when the municipality becomes a party to the contractual provisions of the instruments.

The municipality classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement. Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets. For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Transaction costs on financial instruments at fair value through surplus or deficit are recognised in surplus or deficit.

Umzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.5 Financial instruments (continued)

Subsequent measurement

Financial instruments at fair value through surplus or deficit are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in surplus or deficit for the period.

Net gains or losses on the financial instruments at fair value through surplus or deficit include dividends and interest.

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Held-to-maturity investments are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Available-for-sale financial assets are subsequently measured at fair value. This excludes equity investments for which a fair value is not determinable, which are measured at cost less accumulated impairment losses.

Gains and losses arising from changes in fair value are recognised in equity until the asset is disposed of or determined to be impaired. Interest on available-for-sale financial assets calculated using the effective interest method is recognised in surplus or deficit as part of other income. Dividends received on available-for-sale equity instruments are recognised in surplus or deficit as part of other income when the municipality's right to receive payment is established.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Impairment of financial assets

At each end of the reporting period the municipality assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the municipality, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator of impairment. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in surplus or deficit - is removed from equity as a reclassification adjustment and recognised in surplus or deficit.

Impairment losses are recognised in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in surplus or deficit except for equity investments classified as available-for-sale.

Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because fair value was not determinable.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Umzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.5 Financial instruments (continued)

Derecognition

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the municipality retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the municipality has transferred its rights to receive cash flows from the asset and either
 - has transferred substantially all the risks and rewards of the asset, or
 - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the municipality has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the municipality's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the municipality could be required to repay. Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the municipality's continuing involvement is the amount of the transferred asset that the municipality may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in surplus or deficit.

Impairment of financial assets

The municipality assesses at each statement of financial position date whether a financial asset or group of financial assets is impaired.

Assets are carried at amortised cost.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognised in surplus or deficit. The municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

1.6 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Umzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.6 Leases (continued)

Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.7 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Umzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.8 Non-current assets held for sale and disposal groups

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets held for sale (or disposal group) are measured at the lower of its carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

1.9 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

1.10 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

Umzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.10 Impairment of non-cash-generating assets (continued)

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

1.11 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Umzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.11 Employee benefits (continued)

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

1.12 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

Umzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.12 Provisions and contingencies (continued)

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, a municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.13 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Recognition

Revenue from exchange transactions is only recognised once all of the following criteria have been satisfied:

- a) The entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- b) The amount of revenue can be measured reliably; and
- c) It is probable that the economic benefits or service potential associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue arising out of situations where the entity acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the entity as compensation for executing the agreed services.

Umzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.13 Revenue from exchange transactions (continued)

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

1.14 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, whichever is earlier.

When government remit grants on a re-imburement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

Umzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.14 Revenue from non-exchange transactions (continued)

Other grants and donations

Other grants and donations are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

1.15 Borrowing costs

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an entity directly to the nature of the expenditure to be funded i.e. capital or current.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.16 Comparative figures

Current Year Comparatives

Budgeted amount have been included in these financial statements for the current financial year.

Prior Year Comparatives

When presentation or classification of items in the annual financial statements is amended, prior period comparatives amounts are restated. The nature and reason for the reclassification is disclosed. When there has been a change in the accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparative is restated accordingly.

1.17 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.18 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.19 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Umzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.19 Irregular expenditure (continued)

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.20 Presentation of currency

These annual financial statements are presented in South African Rand.

1.21 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a cash basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2012/07/01 to 2013/06/30.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts and this can be found on page 8 of the annual financial statements.

1.22 Related parties

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Umzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.23 Change in accounting policy

The municipality adopted the exempted portions of the following International Accounting Standards for the first time during the financial year 2012/13 in order to comply with the basis of preparation of the Annual Financial Statements as disclosed in Accounting Policy 1. These have been implemented retrospectively as at 30 June 2013.

- GRAP 21 Impairment of Non-cash-generating Assets
- GRAP 23 Revenue from Non-exchange Transactions
- GRAP 24 Presentation of Budget Information in Financial Statements
- GRAP 26 Impairment of Cash-generating Assets
- GRAP 103 Heritage Assets
- GRAP 104 Financial Instruments

A "Budget Statement" and Annexures E(1) to E(5) are included in these financial statements to comply with GRAP 24.

The disclosure of Financial Instruments in Note was changed in accordance with GRAP 104.

None of these GRAP standards had an effect on the financial position of the municipality.

Umzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
2. Debtors		
Debtor - Interest accrued	-	131,934
SALGA Games	354,923	488,379
Sundry Debtors Deposits	7,000	40,000
MIG Grant Control	-	17,495,444
Debtor - Grader	221,392	221,392
Accrued interest	78,711	-
Uthukela Receipting	3,002,176	-
Agreement/Arrangement Control	258,933	-
MIG Debtor	1,279,580	-
Greytown Bulk Water	3,160,096	-
	8,362,811	18,377,149
3. VAT receivable		
VAT	13,462,341	4,971,134
4. Consumer debtors		
Gross balances		
Water	100,527,817	-
Sewerage	35,864,229	-
VAT	17,058,680	-
Interest	21,584,661	-
	175,035,387	-
Less: Allowance for impairment		
Water	(57,700,834)	-
Sewerage	(20,585,306)	-
VAT	(9,791,320)	-
Interest	(12,389,137)	-
	(100,466,597)	-
Net balance		
Water	42,826,983	-
Sewerage	15,278,923	-
VAT	7,267,360	-
Interest	9,195,524	-
	74,568,790	-
Water		
Current (0 -30 days)	5,161,964	-
31 - 60 days	1,712,755	-
61 - 90 days	1,557,595	-
91 - 120 days	1,710,781	-
121 - 365 days	90,384,722	-
Impairment	(57,700,834)	-
	42,826,983	-

Umzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
4. Consumer debtors (continued)		
Sewerage		
Current (0 -30 days)	1,822,092	-
31 - 60 days	638,870	-
61 - 90 days	591,283	-
91 - 120 days	565,994	-
121 - 365 days	32,245,990	-
Impairment	(20,585,306)	-
	15,278,923	-
VAT		
Current (0 -30 days)	978,440	-
31 - 60 days	327,608	-
61 - 90 days	302,873	-
91 - 120 days	316,093	-
121 - 365 days	15,133,666	-
Impairment	(9,791,320)	-
	7,267,360	-
Interest		
Current (0 -30 days)	1,107,383	-
31 - 60 days	1,154,722	-
61 - 90 days	1,132,631	-
91 - 120 days	1,114,962	-
121 - 365 days	17,074,963	-
Impairment	(12,389,137)	-
	9,195,524	-

Umzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
4. Consumer debtors (continued)		
Summary of debtors by customer classification		
Consumers		
Current (0 -30 days)	5,342,296	-
31 - 60 days	2,744,914	-
61 - 90 days	2,525,935	-
91 - 120 days	2,660,703	-
121 - 365 days	114,841,266	-
	128,115,114	-
Industrial/ commercial		
Current (0 -30 days)	467,094	-
31 - 60 days	250,981	-
61 - 90 days	177,147	-
91 - 120 days	195,441	-
121 - 365 days	20,691,454	-
	21,782,117	-
Business		
Current (0 -30 days)	2,742,333	-
31 - 60 days	643,127	-
61 - 90 days	672,274	-
91 - 120 days	702,398	-
121 - 365 days	16,769,715	-
	21,529,847	-
Total		
Net debtors after impairment :	74,568,790	-
Less: Provision for debt impairment		
Impairment	(100,466,597)	-
Reconciliation of allowance for impairment		
Contributions to allowance	(100,466,597)	-
5. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	4,100	4,100
Bank balances	2,878,783	9,087,943
Short-term deposits	22,468,676	435,894
	25,351,559	9,527,937

Umzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand

2013

2012

5. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances		Cash book balances	
	30 June 2013	30 June 2012	30 June 2013	30 June 2012
FNB Current Cheque Account (Main) 62358106279	2,569,141	1,000	2,533,469	-
ABSA Current Account 4050280759	3,866	9,086,943	68,402	9,086,943
FNB Water Account 62358438044	10,000	-	276,911	-
FNB 7 Days Notice Account 74321014438	86,534	-	-	-
ABSA Bank Investment Account 9253667878	104,390	99,268	104,391	104,850
FNB Investment Account 62353578564	21,243,249	148,272	21,325,374	167,063
Petty Cash	-	-	4,100	-
Rand Merchant Call Investment Account 021900664	10,586	21,555	10,586	38,107
Investec Investment Account 1100461826501	673,377	44,098	673,377	63,646
Nedbank Investment Account 7337000049	354,949	122,702	354,950	131,682
Total	25,056,092	9,523,838	25,351,560	9,592,291

6. Investment property

	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	1,160,845	(120,845)	1,040,000	985,000	(120,845)	864,155

Reconciliation of investment property - 2013

	Opening balance	Additions	Total
Investment property	864,155	175,845	1,040,000

Reconciliation of investment property - 2012

	Opening balance	Total
Investment property	864,155	864,155

Umzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand

2013

2012

7. Property, plant and equipment

	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	22,929,726	(4,318,663)	18,611,063	20,426,910	(3,418,574)	17,008,336
Plant and machinery	5,997,376	(3,183,747)	2,813,629	4,574,193	(2,462,291)	2,111,902
Furniture and fixtures	6,712,734	(5,219,865)	1,492,869	7,081,745	(5,004,158)	2,077,587
Motor vehicles	8,814,068	(6,095,988)	2,718,080	8,315,700	(5,207,137)	3,108,563
Total	44,453,904	(18,818,263)	25,635,641	40,398,548	(16,092,160)	24,306,388

Umzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand

7. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Disposals	Depreciation	Total
Buildings	17,008,336	2,502,816	-	(900,089)	18,611,063
Plant and machinery	2,111,902	1,423,183	-	(721,456)	2,813,629
Furniture and fixtures	2,077,587	-	(369,012)	(215,706)	1,492,869
Motor vehicles	3,108,563	498,367	-	(888,850)	2,718,080
	24,306,388	4,424,366	(369,012)	(2,726,101)	25,635,641

Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Disposals	Depreciation on disposals	Work in progress	Depreciation	Impairment loss	Total
Buildings	14,344,327	1,196,082	-	-	2,237,149	(769,220)	(2)	17,008,336
Plant and machinery	2,824,621	54,550	(137,462)	119,940	-	(746,515)	(3,232)	2,111,902
Furniture and fixtures	2,605,217	702,809	(1,139,305)	1,006,434	-	(1,089,946)	(7,622)	2,077,587
Motor vehicles	2,434,925	1,902,974	(407,519)	363,551	-	(1,185,368)	-	3,108,563
	22,209,090	3,856,415	(1,684,286)	1,489,925	2,237,149	(3,791,049)	(10,856)	24,306,388

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Umzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand 2013 2012

8. Intangible assets

	2013			2012		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	3,396,230	(1,559,421)	1,836,809	316,994	(310,515)	6,479

Reconciliation of intangible assets - 2013

	Opening balance	Additions	Amortisation	Total
Computer software	6,479	3,079,236	(1,248,906)	1,836,809

Reconciliation of intangible assets - 2012

	Opening balance	Total
Computer software	6,479	6,479

9. Interest in joint ventures

Name of company	Listed / Unlisted	Carrying amount 2013	Carrying amount 2012
uThukela Water Pty Ltd	Unlisted	1,088,442,618	1,030,786,020

The carrying amounts of Joint ventures are shown net of impairment losses.

10. Investments

Residual interest at cost

Unlisted shares: Long term deposits	15,154,768	-
-------------------------------------	------------	---

Non-current assets

Unlisted shares: Long term deposits	15,154,768	-
-------------------------------------	------------	---

Umzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
First National Bank 74321014438	7,569,238	-
Investec 1100461826450	7,585,530	-
	15,154,768	-
Local authorities are required to invest funds which are not immediately required, with prescribed institutions and the period should be such that it will not be necessary to borrow funds against the investment at a penalty rate to meet commitments.		
Institution		
First National Bank & Investec	15,154,768	-
Receivables from Exchange Transactions		
Other Receivables	74,568,790	-
Receivables from Non-exchange Transactions		
Other Receivables	8,364,016	18,377,138
	98,087,574	18,377,138
Cash and Cash Equivalents		
Call Deposits	2,255,096	435,894
Bank Balances	2,878,783	9,087,943
Cash Floats and Advances	4,100	4,100
	5,137,979	9,527,937
SUMMARY OF FINANCIAL ASSETS		
Financial Assets at Amortised Cost		
Receivables from Exchange Transactions - Other Debtors	74,568,790	-
Receivables from Non-exchange Transactions	8,364,016	18,377,138
	82,932,806	18,377,138
Financial Assets at Fair Value		
Cash and Cash Equivalents	5,137,979	9,527,937
11. Creditors		
Trade payables	-	(1)
Retentions Held Suspense	9,604,706	12,148,406
Creditors Control	17,263,831	1,140,985
Leave Pay	3,191,274	2,505,577
Accruals Suspense Account	22,572,160	34,179,173
Municipal Funded Projects	-	4,732,863
Consumer Creditors	1,433,106	-
	54,065,077	54,707,003
Consumer Deposits		
There were no guarantees in lieu of deposits.	-	-

Umzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
12. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
DWAF: M & E Grant	-	600,000
DWAF: Water Loss Grant	-	989,934
General Grants	-	64,825
Municipal Support Grant	-	13,620
NLDTF: Dundee Arts and Crafts	-	289,167
GIS System Grant	64,337	469,991
Rural Transport and Infrastructure Grant	269,339	1,352,224
LED Msinga Agric Packhouse	-	135,298
LED Msinga Stone Crush Plan	-	75,960
LED Msinga Bee and Mushroom farm	-	20,048
Disaster Management	-	7,909
DTLGA	-	655,381
Greytown Bulk Water Project	-	5,765,593
Asisukume Maize Mill	1,390,377	1,390,377
Massifikation of Bulk Water	12,318,326	7,806,947
EPWP Incentives	870,528	(130,271)
KZN ACIP WWTW	1,423,588	4,998,831
KZN COGTA	73,417	242,974
LGSETA Training Grant	200,000	-
Cogta Rural Development	569,799	-
Mntshongweni Veg Project	1,800,000	-
	18,979,711	24,748,808

See note 18 for reconciliation of grants from National/Provincial Government.

13. Long term liabilities

uThukela Water Pty Ltd		
Non-current portion	61,070,427	-
Current portion	18,957,246	1,044,617
	80,027,673	1,044,617

14. Employee benefit obligations

The amounts recognised in the statement of financial position are as follows:

Carrying value		
Post-Employment Medical Benefits	(9,004,176)	(7,769,169)

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	7,769,169	12,565,797
Actuarial (Gains) Losses	1,242,759	(4,788,904)
Benefits paid	(7,752)	(7,724)
	9,004,176	7,769,169

Umzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
-----------------	------	------

14. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	8.80 %	8.00 %
General increase in contributions	12.00 %	8.00 %
Salary inflation	8.00 %	8.00 %
Expected retirement age (NRA)	63.00 %	63.00 %
Proportion continuing membership at retirement	74.00 %	100.00 %
Proportion of retiring members who are married	90.00 %	90.00 %

% of Salary contributing to medical aid 20%

Future Pensioners Medical Inflation 12%

Mortality of in-service members - In accordance with the SA 85 - 90 (Light) is 2%

Mortality of pensioners - In accordance with the PA (90) ultimate male and female is 12%

Percentage of in-service members withdrawing before retirement :

Age category: Ages	% of withdrawals	No. of employees before retirement	left till retirement
<25	66%	8	
25-30	50%	27	
31-35	20%	25	
36-40	6%	23	
41-45	1%	17	
46-50	1%	3	
55+	0%	14	

Umzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
-----------------	------	------

14. Employee benefit obligations (continued)

All Councillors and Employees belong to the following funds within the Natal Joint Municipal Pension fund which provides retirement benefits to such employees.

The retirement plan is subject to the Pension Funds Act, 1956

In accordance with the regulations governing the Fund and in compliance with Section 16 of the Pension Funds Act, 1956 (Act No. 24 of 196) the financial position of the Fund is examined and reported upon but the Valuator at intervals not exceeding three years.

In practice the Valuator conducts a statutory valuation on a triennial basis and an interim on an annual basis.

Interim Valuations of the Fund as at 31 March 2006 and Report on the Operations of the Memorandum Account for the Year Ended 31 March 2006.

In respect of Service to 31 March 2006 the actuarial value of the total assets was R121,7 million more than the actuarial value of the liabilities for the service of members to that date and for pensioners, made up as follows:

- surplus of R210,0 million in respect of pensioners (funding level 119,4%)
- deficit of R88,3 million in respect of members (funding level 95,0%) of which deficit
- about R49,0 million was attributable to salary increases being higher than expected (the average salary increased by 9,7% over the three years which is substantially in excess of inflation).

The Fund was thus 104,3% funded. The Fund did not hold an investment reserve.

15. Other NDR

uThukela Capitalisation Reserve	684,646,012	947,897,868
uThukela Water Investment	13,788,719	-
	698,434,731	947,897,868

16. Service charges

Sale of water	30,512,789	-
Sewerage and sanitation charges	9,801,205	-
Water connection fee	45,102	-
Sewerage new connection fee	479,448	-
	40,838,544	-

17. Interest income

Bank	1,839,981	3,433,593
Consumer interest	11,931,442	-
	13,771,423	3,433,593

Umzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
18. Government grants and subsidies		
Operating grants		
Equitable share	177,582,303	160,451,000
Water services	62,998,747	38,658,515
Disaster management grant	7,909	151,820
Training grant	199,222	-
Municipal support grant	13,620	361,000
Greytown bulk water	18,615,031	10,238,269
Lottery health care grant	10,244,728	-
District growth summit	400,000	-
KZN ACIP WWTW	7,566,239	3,330,069
Rural settlement grant	5,542,106	2,379,568
LED grants	231,306	-
NLDTF : Dundee Arts & Craft	289,167	15,886
Shared services	950,000	1,603,133
EPWP Incentives	764,201	719,878
DTLGA S78	655,381	44,619
DWAF grant	1,589,934	315,072
COGTA grants	(400,241)	892,802
Massifikation of bulk water	9,342,924	12,950,522
Capital grants		
MIG grant	196,447,000	161,942,000
	-	-
	493,039,577	394,054,153
DWAF M&E Grant		
Balance unspent at beginning of year	600,000	600,000
Conditions met - transferred to revenue	(600,000)	-
	-	600,000
Conditions still to be met - remain liabilities (see note 12).		
DWAF Water Loss Management		
Balance unspent at beginning of year	989,934	989,934
Conditions met - transferred to revenue	(989,934)	-
	-	989,934
Conditions still to be met - remain liabilities (see note 12).		
FMG & LED Grants		
Balance unspent at beginning of year	64,825	64,825
Conditions met - transferred to revenue	(64,825)	-
	-	64,825
Conditions still to be met - remain liabilities (see note 12).		

Umzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
18. Government grants and subsidies (continued)		
Municipal Support Grant		
Balance unspent at beginning of year	13,620	13,620
Conditions met - transferred to revenue	(13,620)	-
	-	13,620
Conditions still to be met - remain liabilities (see note 12).		
NLDTF - Dundee Arts and Crafts		
Balance unspent at beginning of year	289,167	289,167
Conditions met - transferred to revenue	(289,167)	-
	-	289,167
Conditions still to be met - remain liabilities (see note 12).		
GIS Systems Grant		
Balance unspent at beginning of year	469,991	469,991
Conditions met - transferred to revenue	(405,654)	-
	64,337	469,991
Conditions still to be met - remain liabilities (see note 12).		
Rural Settlement Grant		
Balance unspent at beginning of year	1,352,224	1,352,224
Conditions met - transferred to revenue	(1,082,885)	-
	269,339	1,352,224
Conditions still to be met - remain liabilities (see note 12).		
LED Msinga Packhouse Grant		
Balance unspent at beginning of year	135,298	135,298
Conditions met - transferred to revenue	(135,298)	-
	-	135,298
Conditions still to be met - remain liabilities (see note 12).		
LED Msinga Stone Crush Grant		
Balance unspent at beginning of year	75,960	75,960
Conditions met - transferred to revenue	(75,960)	-
	-	75,960
Conditions still to be met - remain liabilities (see note 12).		

Umzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
18. Government grants and subsidies (continued)		
LED Msinga Mushroom Farm		
Balance unspent at beginning of year	20,048	20,048
Conditions met - transferred to revenue	(20,048)	-
	-	20,048
Conditions still to be met - remain liabilities (see note 12).		
Disaster Management Grant		
Balance unspent at beginning of year	7,909	7,909
Conditions met - transferred to revenue	(7,909)	-
	-	7,909
Conditions still to be met - remain liabilities (see note 12).		
S78 DTLGA Grant		
Balance unspent at beginning of year	655,381	655,381
Conditions met - transferred to revenue	(655,381)	-
	-	655,381
Conditions still to be met - remain liabilities (see note 12).		
Greytown Bulk Water		
Balance unspent at beginning of year	5,765,593	5,765,593
Conditions met - transferred to revenue	(5,765,593)	-
	-	5,765,593
Conditions still to be met - remain liabilities (see note 12).		
Asisukume Maize Mill		
Balance unspent at beginning of year	1,390,377	1,390,377
Conditions still to be met - remain liabilities (see note 12).		
Massification of Bulk Water		
Balance unspent at beginning of year	7,806,947	7,806,947
Current-year receipts	4,511,379	-
	12,318,326	7,806,947
Conditions still to be met - remain liabilities (see note 12).		
EPWP Incentives		
Balance unspent at beginning of year	(130,271)	(130,271)
Current-year receipts	1,000,799	-
	870,528	(130,271)
Conditions still to be met - remain liabilities (see note 12).		

Umzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
18. Government grants and subsidies (continued)		
KZN ACIP WWTW		
Balance unspent at beginning of year	4,998,831	4,998,831
Conditions met - transferred to revenue	(3,575,243)	-
	1,423,588	4,998,831
Conditions still to be met - remain liabilities (see note 12).		
KZN COGTA		
Balance unspent at beginning of year	242,974	242,974
Conditions met - transferred to revenue	(169,557)	-
	73,417	242,974
Conditions still to be met - remain liabilities (see note 12).		
LGSETA Training Grant		
Current-year receipts	200,000	-
Conditions still to be met - remain liabilities (see note 12).		
COGTA Rural Development Grant		
Current-year receipts	569,799	-
Conditions still to be met - remain liabilities (see note 12).		
Mntshongweni Vegetable Project		
Current-year receipts	1,800,000	-
Conditions still to be met - remain liabilities (see note 12).		

Umzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
19. Employee related costs		
Salaries and Wages	30,321,383	23,288,953
Bonuses	1,846,530	2,005,367
SDL	361,487	263,469
Overtime payments	86,527	226,023
Housing benefits and allowances	741,190	849,855
Contribution for UIF, Pension and Medical Aid	6,212,959	3,899,238
Travel and Other allowances	2,777,740	1,491,160
	42,347,816	32,024,065
Remuneration of Municipal Manager		
Annual Remuneration	1,021,399	1,070,894
	1,021,399	1,070,894
Remuneration of Chief Finance Officer		
Annual Remuneration	1,366,944	1,198,870
Director Mayor's Office		
Annual Remuneration	874,576	389,607
Acting Allowance	-	12,536
	874,576	402,143
Technical Services Director		
Annual Remuneration	1,181,384	691,929
Acting Allowance	82,065	108,902
	1,263,449	800,831
Corporate Services Director		
Annual Remuneration	919,561	835,885
Acting Allowance	31,559	-
	951,120	835,885
Planning and Social Development Director		
Annual Remuneration	558,810	710,658
Managements' Performance Bonuses		
Municipal Manager	-	160,835
Corporate Services Director	-	171,391
Communications Director	-	50,000
IDP PMS Director	-	50,000
Development Planning Director	-	114,879
Technical Services Director	-	114,879
Legal Services Director	-	50,000
	-	711,984

Umzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
20. Remuneration of councillors		
Mayor's allowance	582,606	545,517
Deputy Mayor's allowance	426,935	363,634
Executive Committee allowances	541,891	516,120
Speaker's allowance	248,347	287,345
Councillors' allowances	1,273,329	1,273,939
Local Authority attendance fees	60,989	39,698
Medical Aid contributions	41,249	45,070
Pension Fund contributions	172,618	175,738
Skills Development levy	28,596	27,071
	3,376,560	3,274,132

In-kind benefits

The Mayor and Deputy Mayor are full-time, Speaker part-time. Each is provided with an office and secretarial support at the cost of the Council.

The Mayor has use of a Council owned vehicle for official duties.

The Mayor has two full-time bodyguards and a driver. The Deputy Mayor has two full-time bodyguards and a driver.

The Speaker has one full-time bodyguard and the Accounting Officer has one full-time bodyguard.

21. Agency fees

Water services operational cost	105,139,782	64,405,032
---------------------------------	-------------	------------

22. Depreciation and amortisation

Property, plant and equipment	5,087,201	3,832,508
-------------------------------	-----------	-----------

23. Interest expense

Interest paid	-	795
---------------	---	-----

Umzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
24. Grants and subsidies paid		
MIG Grant	196,447,000	161,942,000
Greytown Bulk Water	18,615,031	10,238,269
Lottery Grant - Primary Health Care	10,244,728	-
Massifikation of Bulk Water	9,342,924	12,950,522
KZN ACIP WWTW	7,566,239	3,330,069
Rural Settlement	2,874,881	335,776
Reserves : General Grants : Finance Management Grant	1,250,000	1,250,000
Reserves : Municipal Systems Improvement Grant	1,000,000	790,000
DWAF : Water Loss Management	989,934	-
Shared Services	950,000	1,603,133
EPWP Incentives	764,201	-
DTLGA S78	655,381	44,619
DWAF : M & E Grant	600,000	-
Cogta Rural Development	(569,799)	-
Reserves : GIS Systems Grant	405,654	530,186
District Growth Summit	400,000	1,200,000
NLDTF : Dundee Arts & Crafts	289,167	15,886
KZN COGTA - Government Support	169,558	557,026
LED Msinga Agriculture Packhouse Project	135,298	-
LED Msinga Stone Crushing Plant	75,960	-
Reserves : General Grants : Tourism	37,756	-
LED Msinga Bee & Mushroom Farming	20,048	-
Reserves : General Grants : Integrated Transport Plan	15,499	-
Municipal Support Grant	13,620	361,000
Reserves : General Grants : Gijima - LED Strategy	11,570	-
Disaster Management Grant	7,909	151,820
Msinga Asisukume Maize	-	(190,618)
Othame Sanitation	-	719,878
<u>MUNICIPAL FUNDED PROJECTS</u>		
Decommiss Nquthu Server	-	1,264,037
Halodi Gravel Access Road	-	1,040,342
Qhudeni Maxhili Sanitation	-	4,724,751
Othame Sanitation	-	816,776
Ndaya Regional Water	-	1,002,121
Enseleni Community Hall Greytown	-	282,764
Development of 2 Landfill Sites	-	300,000
Pomeroy Complex	-	1,564,491
Infrastructural Projects	-	13,940,600
Less: Uthukela Water Assets Recognised	(101,714,830)	(108,708,963)
	150,597,729	112,056,485

Umzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
25. General expenses		
Accommodation	1,181,650	1,870,259
Advertisement	303,846	185,864
Agricultural Incubator	850,000	1,506,698
Asset Verification	90,738	95,904
Auditors remuneration	2,117,911	1,785,452
Bank charges	65,282	52,316
Books and Publications	960	4,288
Bursaries	25,450	-
CCC Operator Costs	-	8,748
Catering; Meetings and Seminars	210,447	239,032
Cleaning Materials	35,704	49,831
Cleaning services	60,797	51,549
Computer Programs	491,436	31,125
Conferences & Seminars	77,699	106,487
Construction Incubator	-	1,425,000
Coporate Material	1,064	183,096
Cost of Free Basic Services	3,714,126	-
Customer Satisfaction Survey	168,838	28,000
Disaster Management	195,000	582,406
Disaster Relief	1,752,898	768,433
Drought Relief	25,199,937	16,433,129
Elderly and Widow Programs	363,605	441,122
Emergency Service Provision	12,500	-
Entertainment	43,391	167,973
Fire services	2,604,387	2,445,635
Fuel & oil	1,424,332	1,078,000
HIV/AIDS Programmes	527,322	854,349
IDP Sector Plan	865,533	671,574
ISWIP	8,820	10,855
Indigent Support	33,550	264,809
Insurance	459,075	409,006
Inventory- Log	1,244,496	1,215,028
Leave Expenses	1,362,272	1,277,707
Legal Costs	987,634	653,018
License fees	234,915	142,846
Local council	499,490	496,072
Management Audit	4,386,789	1,117,940
Mayoral Imbizo	279,237	952,829
Mayors Discretionary Fund	(19,500)	148,045
Membership fees	430,808	240,426
Meter Reading	1,541,750	435,530
Municipal Events	561,768	1,164,083
Municipal Support	5,700	290,372
Overgrown Stands	11,343	7,343
Pauper Burials	106,959	259,684
Penalties	4,907	166,027
Plan- People WIT	82,622	428,905
Postage	444,228	7,180
Printing and stationery	146,381	227,748
Project Launch	278,975	1,326,348
Projects	6,485,808	13,940,600
Promotions	10,161,623	5,986,360
Public Consultation	-	107,360
Recruitment of Staff	27,921	105,941
Rental Offices and Machinery	969,619	807,319
Sample of Food and Milk	87,862	17,538
Security	1,786,535	1,575,335
Shows, Exhibits	-	36,421
Signage KZN Tourism	-	20,914

Umzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
25. General expenses (continued)		
Sport And Culture	2,640,257	3,102,734
Subscriptions	-	1,681
Subsistence and Travelling	2,067,689	2,838,881
Telephone	787,318	851,222
Translation/ Interpretation	-	128,950
Transport Official Vehicle	26,775	181,902
Ward Sport Development	223,751	240,343
Water Charge - Indigent	1,384,228	-
Water and Electricity	767,114	577,254
Woman and Gender	129,611	738,693
Youth and Gender	200,100	616,806
	83,223,283	74,184,325
26. Auditors' remuneration		
Audit Fees	1,978,715	1,676,268
Audit Committee Costs	139,196	109,184
	2,117,911	1,785,452
27. Cash used in operations		
Surplus	200,050,660	102,593,969
Adjustments for:		
Depreciation and amortisation	5,087,201	3,832,508
Gain on sale of assets and liabilities	135,530	1,684,287
Gain on joint venture investment	(43,867,879)	-
Interest income	-	(3,433,593)
Finance costs	-	795
Movements in retirement benefit assets and liabilities	1,235,007	-
Movements in provisions	-	1,277,707
Other non-cash items	140,045,868	10,854
Petty cash and cash float	-	5,100
Outstanding cheques	-	(3,741)
Changes in working capital:		
Debtors	10,014,328	(17,117,026)
Consumer debtors	(74,568,790)	-
Creditors	(641,926)	(49,536,717)
VAT	(8,491,207)	-
Unspent conditional grants and receipts	(5,769,097)	-
Other non-cash movements	(1,112,197)	-
Movement in reserves	(263,251,856)	(39,905,692)
	(41,134,358)	(591,549)

Umzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
28. MIG Expenditure		
Endumeni / Nquthu bulk/Mgungundlovu	861,898	1,507,377
uMvoti Area Sanitation	9,903,527	-
Eshane Water Supply	2,453,390	6,817,896
Hlazakazi Water Supply	1,042,724	489,943
Hlimbithwathi Sanitation	-	5,363,792
Keates Drift Water Scheme	2,348,381	7,615,437
Ntinini Regional Water	587,934	1,685,246
Makhabeleni Communtiy Water Supply Scheme Phase 4 and Phase 5	2,381,173	-
Kwakopi Mhlangana VIP sanitation	8,922,904	24,999,562
Makhabeleni Phase 6	13,597,403	15,597,106
Makhabeni Sanitation: Implementation	-	2,791,491
Mbono Water	17,712,086	10,768,449
Douglas Water	-	9,633,522
Mthembu Water Supply	317,855	953,309
Pomeroy Douglas Sanitation project	12,131,602	21,924,585
Mbulwane - Hlimbithwa	4,395,691	-
Muden Sanitation	7,545,560	10,819,562
Vantis Drift Water	2,434,945	604,321
Ngubukazi Water Supply	3,149,512	1,847,591
Ngubukazi Water Supply Phase 3	5,544,122	-
Nquthu Sanitation	49,286,647	7,700,882
Ophathe - Water	-	829,587
Othame Sanitation	139,194	1,953,836
Pomeroy Bulk Water Supply Phase 2	-	1,508,850
Sithembile Housing Bulk	4,738,300	7,396,279
Rugtefontein Settlement Area	41,267	-
Umzinyathi Rudimentary	-	1,806,894
Umsinga Bulk water	22,858,373	5,951,498
Muden Regional Bulk Scheme	25,067,250	20,835,712
Dundee bulk	(1,014,734)	3,789,728
Mthembu water Extension	-	431,142
Rehabilitation and installation of boreholes	-	3,813,836
Prior year adjustment as per circular 58	-	12,698,519
	196,447,004	192,135,952
29. Commitments		
Authorised capital expenditure		
Already contracted for and approved		
• Property, plant and equipment	18,979,709	1,123,971,861
Operating leases - as lessee (expense)		
Minimum lease payments due		
- within one year	783,987	286,114
- in second to fifth year inclusive	1,411,420	470,984
	2,195,407	757,098

The Municipality is leasing 10 copiers from Xerox and monthly rental expense has been accounted for in the statement of financial performance. The average lease term is 5 years and the average escalation rate is 10%. The escalation is fixed for the duration of the contract. No arrangements have been entered into for contingent net obligation under operating lease are secured by the lessor's title to the leased asset.

Umzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand 2013 2012

30. Contingencies

Claim for damage - Endumeni Municipality

The municipality received correspondence dated 25 October 2010 copied to the Auditor-General, MEC for Local Government Provincial and National Treasury from Endumeni Municipality serving a notice in terms of section 41 (2) of the Intergovernmental relations framework Act 13 of 2005 relating to the failure of Umzinyathi to facilitate the transfer of assets and liabilities to the value of R 6 626 612 and final demand for payment of an outstanding amount of R17 068 623.59 for operational expenditure incurred by Endumeni Municipality on behalf of Umzinyathi DM for water services function. Endumeni Municipality intends to take legal actions should this matter remain unresolved.

However when audit was conducted by Gobodo, it was found that the actual amount owed is R 15 997 119.61 not R 17 068 623.59. The R 6 626 612 was the original capital loan amount, but went up to R 15 997 119.61 (R 9 370 507.61 included of capital charges)

Umzinyathi District Municipality has always been willing to resolve this matter but was waiting for the supporting documents from Endumeni Municipality for their claim which was submitted on the 22 October 2010. Umzinyathi District Municipality resolved to investigate and verify the claim by Endumeni Municipality and present final findings to EXCO for approval.

R11 769 407.51 has been paid to Endumeni Municipality and R4 227 407.51 for internal loans still in dispute. The matter was resolved with Endumeni Municipality whom to date has failed to submit a written confirmation of writing off the account.

Contingencies arising from pending litigation on wage curve agreement

On 21 April 2010 SALGA signed the "Categorisation and job evaluation wage curves collective agreement" (wage curve agreement) with IMATU and SAMWU on behalf of municipalities. The agreement established the wage curves and wage scales to be used by municipalities in determining the wages of municipal employees, based on an evaluation of employees' jobs per the TASK job evaluation system. Subsequent to the signing of the agreement, the unions declared a dispute with the agreement. The dispute was referred to the Labour Court and the court delivered a ruling on 22 June 2012 that employees receive a salary increase backdated with effect from 1 July 2010 instead of 1 July 2011. SALGA, on behalf of municipalities, applied for leave to appeal this ruling and was granted the right to appeal against the judgement on 29 August 2012. To date this Labour Court of Appeal case has not been finalised. The municipality completed jobs descriptions for all employees and submitted this information to the job evaluation committee (appointed by the Bargaining council) for evaluation. The municipality did not receive correspondence on the results of the evaluation. In effect, the municipality was not able to implement the terms of the wage curve agreement and in consequence is not able to quantify the amount due to or possibly even owed to the municipality by its employees.

31. Fruitless and wasteful expenditure

Opening balance	430,430	-
Penalties and early withdrawals	4,196	27,397
Abuse of fuel cards	-	403,033
Expenditure written-off/condoned	(31,593)	-
	403,033	430,430

An amount of R27 397 was for interest charged on late payments for prior year and R4 196 for the current year totalling to R31 593 written off during the year. The amount of R403 033 for abuse of fuel cards is still being investigated and is awaiting the outcome of the investigation and conclusion hearing.

32. Irregular expenditure

Opening balance	2,282,457	264,060
Add: Irregular Expenditure - current year	12,696,636	2,018,397
Less: Amounts condoned	(2,018,397)	-
	12,960,696	2,282,457

Umzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
32. Irregular expenditure (continued)		
Details of Irregular expenditure for the current year		
Protea Consulting	1,061,415	
Expectra	10,244,728	
Blackwatch	1,390,493	
	12,696,636	
33. Revenue		
Service charges	40,838,544	-
Rental of facilities and equipment	321,358	237,517
Interest received - investment	13,771,423	3,433,593
Government grants & subsidies	493,039,577	394,054,153
Sundry Income	5,233,074	640,665
	553,203,976	398,365,928
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	40,838,544	-
Rental of facilities and equipment	321,358	237,517
Interest received - investment	13,771,423	3,433,593
	54,931,325	3,671,110
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Transfer revenue		
Government grants & subsidies	493,039,577	394,054,153
Sundry Income	5,233,074	640,665
	498,272,651	394,694,818
34. Supply chain deviations		
Expenditure written-off	(12,000)	-
Expenditure incurred	12,000	-
	-	-
The above appointments were done in accordance with Section 32 and were approved by the Accounting Officer and lately ratified by the Council.		
Expenditure written-off	(592,402)	-
Expenditure incurred	592,402	-
	-	-
The above appointments were done in accordance with Section 36 and were approved by the Accounting Officer and lately ratified by the Council.		
Expenditure written-off	(10,244,728)	-
Expenditure incurred - Expectra 868 NPC	10,244,728	-
	-	-

Umzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand

2013

2012

34. Supply chain deviations (continued)

Appointment of Expectra 868 NPC was through a presentation made to EXCO and Council and they were appointed to be the implementing agents for Primary Health Insurance for the District Municipality of internal and external funded programmes. Solar Charge Pty Ltd was appointed on same bases as above to implement solar power project at no costs to the Municipality. Both appointments were ratified by Council as Section 37 Procurements.

35. Risk management

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. The utilisation of credit limits regularly monitored. Sales to retail customers are settled in cash.

Financial assets exposed to credit risk at year end were as follows:

36. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

37. Events after the reporting date

Uncertainty with regard to uThukela Water Pty Ltd

- A Section 78 assessment regarding the preferred mechanism for the provision of water services for Umzinyathi District Municipality and Uthukela Water Pty Ltd conducted by the MEC for Co-operative Governance and Traditional Affairs has been completed with the preliminary findings which are still subject to discussion and final resolution by all the parties concerned. The preliminary findings indicate that the existing water services provider function currently being performed by uThukela Water Pty Ltd will change in the future. The details of the changes, and the date of the change, is awaiting final approval by the MEC for Co-operative Governance and Traditional Affairs and it became impractical to finalise the transfer of assets by 1 July 2012 hence 1 July 2013 is being proposed to the MEC.
- The Council of Umzinyathi resolved that:
 1. The dissolution of uThukela Water Pty Ltd be approved.
 2. The withdrawal by Umzinyathi District Municipality's interest from uThukela Water Pty Ltd be effective from 1 July 2013 be approved.
 3. The decentralisation of retail and bulk function to align with the jurisdiction of Umzinyathi District Municipality be approved from 1 July 2012.
 4. The negotiation for decentralisation of billing for water services (one customer one municipal account) to the local Municipality be approved and Municipal Manager be authorised to sign service level agreement with local municipalities.
 5. Where bulk water sources is outside boundaries of the municipality of Umzinyathi District Municipality sign a bulk water service supply agreement with the supplying Water Services Authorities vice-versa be approved.
 6. The implementation plan for the takeover of water service function listed above be approved.
 7. The technical task team proposed listed above has been approved.
 8. The Provincial Strategy of establishing a Regional Bulk Utility that is being discussed with the Minister of Water and Environmental Affairs, National Treasury, DBSA and uThukela Water Pty Ltd be given an extract of this resolution and will implement a plan.
 9. The MEC for Co-operative Governance and Traditional Affairs, Department of Water Affairs, National Treasury, DBSA and uThukela Water Pty Ltd be given an extract of this resolution and will implement a plan.
 10. The appointment of the Technical Expert to assist the municipality with the implementation of Section 78 be approved.

Umzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand

2013

2012

38. Additional disclosure in terms of Municipal Finance Management Act

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2013:

Councillors 30 June 2013

	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Mahaye T M & M L	1,028	21,135	22,163
Mthombeni N B & C G	176	13,031	13,207
Kumalo P	442	8,501	8,943
Yengwa Mbangiseni Shad	218	2,310	2,528
Mfeka J A	284	1,469	1,753
Khanyile Nothisiwe	289	14,954	15,243
	2,437	61,400	63,837

Municipal Staff 30 June 2013

	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Buthelezi Siphesihle Mpil	136	4,747	4,883
Ndlovu STN	163	19,133	19,296
Nzimakwe N	773	37,735	38,508
Sihlongonyane Precious	-	3,044	3,044
Ndlovu Nkululeko	-	1,168	1,168
Zulu Sabelo Khumbula	71	1,866	1,937
Zulu VD	102	3,407	3,509
Dearlove P D	1,935	117,878	119,813
Madonsela T C	114	1,437	1,551
Mvelase Sthembile	-	1,291	1,291
	3,294	191,706	195,000

39. Municipal entities

During the 2004/05 financial year the water and sanitation services assets were transferred to uThukela Water (Pty) Ltd in terms of a thirty year WSP agreement entered into by uThukela Water (Pty) Ltd and the three WSA's being uMzinyathi District Municipality, Amajuba District Municipality and Newcastle Local Municipality.

From the 01 July 2012 Umzinyathi District Municipality took over the billing services and with effect from 01 July 2013 the assets and liabilities of Uthukela water will be transferred to Umzinyathi District Municipality in line with MEC of Co-operative governance and Traditional affairs. uMzinyathi District Municipality holds 33% shares in uThukela Water (Pty) Ltd.

Umzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand 2013 2012

40. Water Loss Distribution

Water Loss Disclosure for 2012/2013 Financial Year:

Bulk Water Figures in kl/month for 2012-2013

	KL's Produced Per Plant	Total KL Per Town	Billed Cons Per Town
Endumeni	5,757,905	5,757,905	3,825,703
Nqutu - Vant/s Drift	3,175,150	-	-
- Nondweni	635,300	4,068,858	686,835
- Isandlwana	116,024	-	-
- Quideni	142,384	-	-
uMvoti - Greytown	1,688,537	-	-
- Kranskop	180,587	2,486,984	1,367,000
- Makhabaleni	170,350	-	-
- Muden	447,510	-	-
Msinga - Sampofu	1,211,150	-	-
- Ethembeni	185,680	1,514,598	211,588
- Fabeni	13,435	-	-
- Pomeroy	104,333	-	-
Water Purchases	13,828,345		
Water Sales	6,091,126		
	7,737,219		
Water Loss %	-55.95		

- Umzinyathi District Municipality is mostly dominated with rural areas.
- Most of our rural areas have stand pipes per standards set by Water Affairs.
- Other rural have no water infrastructure thus water tankers are delivering water to them and these tankers are getting water from our plants and collection point sets in our water network.
- We experienced a lot of burst pipes in our reticulation line due to aging infrastructure.
- Illegal connections in most of our rural areas have a huge impact in unaccounted water as they are mostly not metered.
- In future free water will be measured to differentiate from paid.

41. COGTA Intervention

Discretionary Intervention by THE PROVINCE OF KWAZULU-NATAL (COGTA and National Treasury) IN TERMS OF SECTION 136(2) OF THE MUNICIPAL FINANCE MANAGEMENT ACT THE READ WITH SECTION 139(1) OF THE CONSTITUTION.

- To assist Umzinyathi District Municipality with Financial Assessment and Recovery Plan. Intervention appointment by COGTA have developed a recovery plan and it is being implemented.

Umzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2013

Umzinyathi District Municipality								
Appendix A - Property, Plant and Equipment								
<i>2013 Reconciliation of carrying value</i>	<i>Land and buildings</i>	<i>Investment property</i>	<i>Intangible</i>	<i>Plant & Equipment</i>	<i>Furniture & Office Equipment</i>	<i>Computer Equipment</i>	<i>Motor Vehicles</i>	<i>Total</i>
	R		R	R	R	R	R	R
As at 1 July 2012	17,008,337	864,155	6,478	2,111,902	2,077,587	-	3,108,563	25,177,023
Costs/Valuation	20,426,910	985,000	316,994	4,574,192	7,081,745		8,315,701	41,700,542
Change in accounting estimate	-							
Accumulated depreciation and impairment losses	-3,418,573	-120,845	-310,515	-2,462,290	-5,004,158		-5,207,138	-16,523,519
Classification - Cost								
Classification- Accumulated depreciation								
Acquisitions	2,502,816	175,845	3,079,236	1,429,905	-375,735		498,368	7,310,434
Work In Progress								
Disposals								
Depreciation	-900,089	-	-1,248,905	-721,456	-215,707		-888,850	-3,975,007
Depreciation-disposals								
Impairment loss								
Reversal of impairment loss	-		-	-	-		-	-
As at 30 JUNE 2013	18,611,064	1,040,000	1,836,808	2,820,352	1,486,145	-	2,718,081	28,512,450
Costs/Valuation	22,929,726	1,160,845	3,396,229	6,004,097	6,706,011		8,814,068	49,010,976
Accumulated depreciation and impairment losses	-4,318,662	-120,845	-1,559,421	-3,183,745	-5,219,865		-6,095,988	-20,498,526

Umzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2013

Supplementary Information

Umzinyathi District Municipality								
Appendix A - Property, Plant and Equipment								
2012 Reconciliation of carrying value	Land and buildings	Investment property	Intangible	Plant & Equipment	Furniture & Office Equipment	Computer Equipment	Motor Vehicles	Total
	R	R	R	R	R	R	R	R
As at 1 July 2011	14,344,327	903,555	-0	2,824,621	2,605,217	-	2,434,925	23,112,645
Costs/Valuation	16,940,680	985,000	308,455	4,440,596	7,787,750	-	6,820,246	37,282,727
Change in accounting estimate	-							
Accumulated depreciation and impairment losses	-2,643,068	-81,445	-308,455	-1,833,586	-5,054,220		-4,385,321	-14,306,095
Classification - Cost	53,000			216,509	-269,509			
Classification- Accumulated depreciation	-6,286			1,102	141,196			136,013
Acquisitions	1,196,082		8,539	54,550	702,809		1,902,974	3,864,953
Work In Progress	2,237,149							2,237,149
Disposals				-137,462	-1,139,305		-407,519	-1,684,287
Depreciation	-769,220	-39,400	-2,060	-746,515	-1,089,946		-1,185,368	-3,832,508
Depreciation-disposals				119,940	1,006,434		363,551	1,489,926
Impairment loss	-		-	-3,232	-7,623		-	-10,855
Reversal of impairment loss	-		-	-	-		-	-
As at 30 JUNE 2012	17,008,337	864,155	6,478	2,111,902	2,077,587	-	3,108,563	25,177,023
Costs/Valuation	20,426,910	985,000	316,994	4,574,192	7,081,745		8,315,701	41,700,542

Umzinyathi District Municipality

Annual Financial Statements for the year ended 30 June 2013

Supplementary Information

Accumulated depreciation and impairment losses	-3,418,573	-120,845	-310,515	-2,462,290	-5,004,158	-5,207,138	-16,523,519
--	------------	----------	----------	------------	------------	------------	-------------